*Overseas trade*

# Reagan's choice: protectionism or free trade

by Paul Cheeseright

"THERE are winds blowing in all directions. The Reagan Administration is not yet set on a course," said a United States Commerce Department official. But one of the strongest winds in the debate on American trade policy is blowing from Detroit, where the car industry is casting round for relief from the pressure of Japanese imports.

"What is done on cars will set the general trend (of trade policy)" suggested one official. "It is a paradigm of all the problems." The clash, in its acutest form, is between what is presented as the Administration's liberal economic doctrine — its concern to reduce official intervention in industry and with that gain an acceptance of international open trade — and its concern about the largest United States industry.

The problem is simply dated. In January 1979, Datsun cars were selling in the United States at a discount. But as fuel costs have risen and the United States manufacturers have failed to produce cars to meet a fashion for smaller vehicles, the Japanese market share has risen sharply.

By last February, the Japanese had captured 29 per cent of the market. Last year, with United States manufacturers suffering their worst year on record, they sold 1.8 million cars. The source of employment for one in every six Americans has seemed under threat.

President Reagan now has before him a report on the problem. Clearly what he would like, to allow him to redeem a campaign promise and keep his ideological stance firm, is for

**PRESIDENT Ronald Reagan was elected on a strong platform of free trade and less regulation of industry. But several American industries, led by Detroit, are urging him to water down his principles.**

Japan itself to organise marketing restraint.

Should the Japanese Government not be so amenable and Reagan be forced to a decision, what he does will have a profound effect on trade relations with both Japan and the European Community.

The European petrochemical industry is seeking some restraint from American exports can be treated in isolation.

car imports, some Washington quarters feel the United States will be in a stronger position to deal with EEC protectionism. If he does negotiate constraints, the way may be open for more trade curbs amoog major industrial powers.

This is a variation on the argument that Count Otto Lambsdorff, the West German Economics Minister, advanced in Washington: that curbs on Japanese cars would lead to a trade war.

The other side of the argument, advanced by Senator John Danforth, the Missouri Republican who has introduced a Bill in the Senate to hold Japanese sales at 1.6 million a year, is that car imports can be treated in isolation.

No other industry could expect such protection. In this case, after all, Congress and the Administration are dealing with the most significant American industry.

The question, then, is: where should the protectionist line be drawn, if at all? The answer is linked not only to the movement of political forces and their interaction with economic ideas within the United States itself, but also to Uolted States access to foreign markets.

There is a community of interest over Japan between the United States and the EEC, notwithstanding the running difficulties on steel and textiles. Both are subject to the carefully targeted Japanese approach to exports, which has a marked impact in coocentrated areas.

"The things we're good at, they protect till they get good themselves. Take the semiconductor industry. Now they're competitive, so they're prepared to reduce their tariffs," complained a congressional aide, recently subject to lobbying by the American semi-conductor industry for special tax treatment.

It will clearly be much easier for the Administration to combat pressure for import curbs from specific industries if it can point to sectors where trade is becoming more open. Hence policy, as it emerges in the next few months, will be directed to questions of access. In this, Reagan takes over where President Carter left off, emphasising the generally bipartisan approach to trade.

Thus, the new Administration is continuing to press hard to bring into action the new codes of international trading behaviour from the Tokyo Round multilateral trade negotiations, covering such areas as government procurement and the use of subsidies. European governments, for example, are being peppered with queries about how they are moving into line with the new General Agreement on Tariffs and Trade codes.

The United States pressure on Japan to open up its telecommunications market will soon be repeated in Europe. The GATT staff in the Special Trade Representative's office has been built up. "Congress is looking for evidence — we got what we bargained for. It is monitoring the executive agencies which monitor the codes," noted a Senate trade specialist.

This concern about market access parallels the concern to create commercial conditions in the United States in which local industry will not only be able to use its own quality and competitiveness to fend off the threat of imports, but will also be encouraged to export.

Worry about imports also parallels the decline of the American position on world markets. In 1960, the United States had a 15.9 per cent share of world exports, but 20 years later the share had dropped to less than 11 per cent.

The removal of self-imposed obstacles to business has become the order of the day. But there are limits. No consensus yet seems to be emerging on whether the controls on trade with the Soviet Union should be removed.

But leaving aside the particular issue of East-West trade, the Administration is in any case forced to act to stimulate exports. Although trading [illegible] proved during 1980 and the deficit for the year was the smallest since 1976, it was [illegible] a huge $32.3 billion. Significantly, President Reagan's budget cuts have left the export promotion side of the Commerce Department untouched.

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## Inside



# Prices of imported wine doubled in Govt scheme

by Warren Berryman

THE watering-down of the Industries Development Commission's development plan for the wine industry by Trade and Industry Minister Lance Adams-Schneider will almost double the price of imported wines.

Diplomatic sources and economists predict soured major trading partners in Australia and Europe will retaliate. They claim the Government measures, announced late last month, will make imported wines luxury buying — or even force them off the market.

Consumers will pay more than $8 for a bottle of wine bought in Europe for $1. Example: a bottle of Spanish red (Sangre de Toro) costs $1.30 fob in Spain and retails here for $4.82. Under the new regime it will cost consumers at least $9.13.

The Government move effectively increases protection for New Zealand wine, which has been increasing in price at more than three times the rate of competing Australian wines.

The IDC report said local wine was too expensive and consumer resistance would eventually halt the development of the industry.

Its package of recommendations called for more competition from imports and more competition in the local distribution system. The aim was to benefit consumers and force the industry to increase its efficiency and so become a competitive exporter.

The industry's export record after 10 years' protection has been dismal. Last year, wine exports amounted to only $623,000 (two-thirds from Corbans, and much of this from sherry, not table wine, as exports to a Conodian Government buying agency).

The IDC plan called for greater competition from imports and a gradual phase-out of protectionist measures.

But Adams-Schneider's scheme gives the local industry tariff protection from competition for five years against cheaper wines. He justified the action because of its high potential to contribute to foreign exchange.

The new tariff regime, he said, would "protect the local industry from cheap imports and make available to consumers a small increase in the quantity and a wider variety of medium and high quality wine".

Liquor industry sources have criticised the new protectionist regime. One described it as "absurd".

These sources say it could cost New Zealand more in foreign exchange without improving the quality and quantity of imported wine.

Diplomatic sources claim the scheme is in breach of preliminary accords reached between Australia and New Zealand on closer economic relations. They predict the Australian wine lobby could put major obstacles before any CER accord.

The Government's rejection of the main thrust of the IDC plan follows long and intense lobbying from the New Zealand industry.

But the Wine Institute is still not satisfied. Chairman Mate Brajkovich said: "We would have been happy with a higher level of protection and less generous tariff quotas for imported wine.

"After all, if an industry is to be given encouragement to develop it must be given a sufficient level of protection to allow that development to occur."

Page 16: The Government plan, how it differs from the IDC and how it affects wine prices.

## Exchange crackdown

by Klaus Sorensen

THE Stock Exchange Association plans to crack down on share issues which could alter the effective control of a company.

The association has quietly included tough new requirements in its 1981 draft listing manual, currently being circulated to listed companies.

The new requirements, if approved, will mean directors will not be able to issue more than 5 per cent of the capital without seeking shareholder sanction.

This particular requirement is sure to be opposed by some companies, and it seems the Stock Bxchange Association can prepare itself for a lively debate on the matter.

The listing manual, dated April 16, has been sent to all listed companies and is in preparation for the coming parliamentary session which will consider an amendment to the Sharebrokers Act of 1908 to establish a New Zealand Stock Exehange.

The tightened attitude towards share issues made by directors independently of the people they represent follows a growing trend in recent years by companies to make defensive share issues, either to friendly interests, or in return for the purchase of assets.

The famous case is the Lion Breweries Androcles share deal, where Lion directors, anxious that Malaysian brewing interests and Wellington's Brierley Investments, were planning to seize control of the company, set up a nominee company — Androcles — to come to Lion's rescue.

More recently, companies such as Mt Cook Group have made defensive share issues (to New Zealand Insurance) while Midland Coachlines, conducted a share swap when faced with an unwelcome investor.

The latest draft listing manual contains a large number of new requirements, with the rules on share issues broken into two sections — alteration of capital and change of control. (Details, Page 13.)

## Tax-pay deal urged

THE Government should implement a tax-wage bargain, show a commitment to tax reform and allow current cost accounting for company tax purposes, according to the New Zealand Planning Council's economic monitoring group.

In a major economic report released today, the group recommends that progress towards a satisfactory economic performance requires more emphasis on productive investment.

It says that while there are indications that investment will rise next year it believes "Government policy can be made more conducive to investment throughout the economy".

"Government policy this year should be assessed by the extent to which it contains inflation, expands employment, avoids worsening the balance of payments deficit and contributes to a more efficient use of resources," the report says.

"The best short-term measure against aggregate unemployment appears to be tax-wage bargain."

To combat inflation, the group says the Government should adopt a target of bringing New Zealand's inflation rate into line with that of our trading partners in no more than two years.

Tax-wage deal model, Page 11; further details, Page 17, 18.

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## The week

# Auckland firm clinches Korean car franchise

by Warren Berryman

AUCKLAND's Torino Motors Ltd has scooped up the Korean Hyundai car franchise for New Zealand — a week before Prime Minister Rob Muldoon's suggestion that we import the cars to right a trade imbalance.

Muldoon, when he returned from Korea talking about the desirability of redressing the three to one trade imbalance with that country, said we might import some Pony automobiles from Korea's giant Hyundai Corporation.

But several days before the Prime Minister and the Pony appeared on New Zealand television, the Auckland company, had the Pony franchise all sewn up.

It appears, Torino managing director Hugh Berry walked out of Hyundai's plant with signed franchise in hand one week before Muldoon entered the plant for a "look-see".

Hyundai, with interests in cars, trucks, shipbuilding, steel mills, rail locomotives, power plants and electrical equipment, produces about 10 per cent of Korea's gross national product.

The Pony, a Japanese style car (Hyundai has a technological arrangement with Japan's Mitsubishi) is now being produced with right-hand drives for the Hong Kong and Singapore markets.

The Pony franchise was sought by Moller Holdings and Motor Holdings before Berry scooped the deal.

The first Ponys are expected to be imported built up rather than for assembly here.

The Pony will be the first new model car to reach the New Zealand market since the Russian Lada.

Berry's Torino Motors acts as agents for Fiat, Ferrari, and Lancia.

A sister company, Torino International, in which meat exporter, Mathias LWR, also has an interest, recently opened an office in Rome. From this office, and through its contacts with Fiat, Torino sells New Zealand meat, squid, octopus and fuel pumps.

Berry said he was hoping to make similar reciprocal trade arrangements with Hyundai.

Hyundai entered the 16-strong family of car making nations in 1967 and was producing 100,000 Ponys a year by 1979.

The Muldoon Government's longstanding policy has been not to proliferate the number of models of cars for New Zealand's small market.

But the Lada was introduced in the interests of reciprocal trade and the Pony might follow suit.

# Human slip, but whose?

by Stephen Bell

THE Erebus royal commission has indicted "computer error". But as computer people are tired of pointing out, it's people, not computers, who make errors.

Who are the right people to blame in this instance?

First instinct would be to credit the mistaken longitude entry in the flight-plan to the operator who entered the figures.

In his evidence to the inquiry, the operator admitted he entered the wrong figure on the visual display screen, and subsequently failed to pick it up on a manual check of the screen's figures against the worksheet from which he was copying.

That single wrong figure, says the report of the one-man commission of inquiry, was the major factor in sending over 200 people to their deaths.

But should the operator have had to check the entered figure against the written figure using only a fallible human eye and brain?

There is a well-known technique called "check-digiting", employed since the accounting machine days.

A calculation is performed with the digits of important entered data, and the answer to that calculation is appended to the end of the data and entered with it.

The computer, on receiving the data, repeats the calculation. If a wrong figure has been entered, or two figures transposed, the wrong answer comes out for the check-digit and the data is rejected.

Evidently, the crucial longitude figures did not have such an internal check. But we are assured that improved checking procedures have now been added to the system.

So which human being is to blame for the "computer error" — the operator, or the designers of the system who failed to use the capabilities of the computer to the full to prevent errors?


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The next issue of NBR Outlook, to be published on May 26, investigates progress towards a special economic relationship between Australia and New Zealand.

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# The week in brief

THE EREBUS inquiry report varied from the Inspector of air accidents' findings and condemned Air New Zealand management for the disaster in which 257 sightseers died 16 months ago and accused the airline of presenting an "orchestrated litany of lies" to the commission. The airline, with the backing of its sole shareholder, Finance Minister Rob Muldoon, will contest the findings in the High Court.

THE Governor General officially approved South Pacific Aluminium Ltd's use of the fast track planning procedures for the Aramoana aluminium smelter.

ACROSS the Tasman the American-Japanese aluminium giant Alumax has pulled out of the consortium including BHP which proposes a smelter in the Hunter Valley. The project was not economically viable, it said.

THE calling of tenders for "the big hole" — the long delayed National Library building in Wellington — has been approved. The estimated cost of the building is $13 million.

AUSTRALIA will insist on New Zealanders showing passports on entry from July 1, despite NZ Government objections.

EXTRA duties to offset export subsidies and farm subsidies on lamb cuts sold in the United States seemed imminent at the behest of the American sheep farmers lobby.


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## The week ahead

MONDAY: Christmas Merchandise show, Auckland till Thursday.

TUESDAY: New Zealand Light Leathers AGM, Christchurch.

WEDNESDAY: Associated British Cables AGM, Christchurch.

## Job score

A DOWNTURN in trade is forcing NZ Wool Spinners to drop 49 jobs at its Dannevirke mill.

NZ Forest Products reached agreement on the employment of youths with unions at Kinleith when suitable vacancies occur.

DOLE queues shortened in April. On April 17, there were 700 fewer drawing unemployment benefit, 33,051, than two weeks earlier.



## The week

# Morrie Davis: some for, some against

by Gordon McLauchlan

SENIOR management staff at Air New Zealand signed a statement of support for chief executive Morrie Davis three days after the release of the Erebus crash report — but staff opinion further down the line was divided.

Admiration for Davis and support for his stand ran down through the various staff levels.

But a substantial body of opinion thought the time had come for a change, that with the advent of the new 747 aircraft and perhaps some changes in route structure, it would be beneficial to the company to make changes at top management as well.

Events developed rapidly last week as the media focussed enormous attention on to the report of the Royal Commission and its consequences.

PM Rob Muldoon is understood to have taken a copy of the report with him on his trip to Japan.

Officially, a delay in the release of the report was attributed to production difficulties. If so, it was fortuitous that the release was held until after Muldoon's return from Japan where the report was bound to engender widespread coverage. Several Japanese were among the 257 who died in the crash.

While Muldoon was away, it became apparent that some people with access to the report were hinting to journalists that it was hard-hitting and highly condemnatory of the airline and its management. Accordingly, stories began surfacing in daily newspapers.

And within a few minutes of stepping out of his aircraft on arrival back from Japan, Muldoon was urging New Zealanders to rally round their airline because nothing in the report would alter the fact that the airline was one of the best in the world. It could, he said, come in for harsh criticism in the royal commission report.

In the meantime, Wellington lawyer, Des Dalgety, a close Muldoon friend and an Air New Zealand board member widely tipped to become the next chairman, had read the report in advance of its release and had worked his way back through the transcript of the hearing.

It quickly became clear that Dalgety was controlling the Air New Zealand board response and he was soon being called the chairman of a board subcommittee on the report.

There is little doubt that Davis would have been warned of the highly censurious nature of the contents of the report.

His first official response was that his professional competence and integrity had come under savage attack, and "that attack is totally indefensible". He said he was "no quitter" and that he would not resign.

The board had decided it would not ask Davis to resign because it felt that at least some of the conclusions in Mr Justice Mahon's report were not supported by evidence given at the marathon hearing.

As the furore continued, Muldoon kept on carefully distancing himself from it, taking a position that gave respect to the commission's findings, but stated that the board members were men of "probity" and experience and would not take the stand they had without good reason.

He said he would submit a number of questions to the board and would then take action, or discuss the matter with Cabinet. He was taking a studied position above the national squabble, a paternal position.

Two days after the report was released, Davis said he would fight to clear his name, and Muldoon was saying he would keep an open mind. At the same time he referred to the commission's findings as "very fierce".

Transport Minister, Colin McLachlan, meanwhile remained almost invisible, except for a curious statement calling for improvements in air safety in the wake of the report.

It became apparent that the board wanted to divide the report into two parts — those which condemned the senior management of Air New Zealand both in terms of efficiency and integrity, and those which referred to technicalities of safety and to administrative procedures directly involved with aircraft safety.

Board chairman Bill Mace said at that stage that the board intended to seek a review of aspects of the commission's report by the High Court. This was after he and Dalgety had had talks in Wellington with Muldoon.

There was a growing feeling among observers as the days passed that the longer Davis could hang on in, the more likely he was to survive the crisis.

# Action soon on airport fire, rescue reforms

by Allan Parker

A MINISTERIAL position paper will go to the Government within the next fortnight detailing proposals to improve international airport fire and rescue services.

In the wake of the Mahon report into the Erebus disaster, Cabinet is expected to review proposed procedures for the upgrading of communication and co-ordination between the various services involved in providing safety services at the main international airports.

The review follows a similar commission of inquiry into an earlier Air New Zealand fatal crash when two men died in a Friendship that ploughed into water just short of Auckland Airport in February 1979.

That commission made a massive 91 recommendations to improve rescue and fire services at the three airports when it produced its report last December.

The major recommendation was for the establishment of a committee which would hopefully lead to an amalgamation of the rescue fire service at the airports (run by the civil aviation division of the Ministry of Transport) with the New Zealand Fire Service.

Five months later, the State Services Commission, which headed the probe into the suggested amalgamation, is on the eve of telling ministers how this can be done.

The main difficulties in linking the services lay in the separate managements, their differing administrative procedures and the involvement of a number of unions with different pay scales and conditions.

Those problem areas have been largely overcome and the State Services Commission is confident that the proposed new system is sufficiently workable for it now to approach the politicians.

Meanwhile, the Civil Aviation Division of the Ministry of Transport has told its staff what action has been or is being taken to implement the 91 recommendations suggested by the commission of inquiry.

Among decisions so far taken:

- The appointment of a medical co-ordinator at Wellington Airport to work out a medical emergency plan and establish an airport-based medical sub-committee;
- Changes in the recruitment and employment of new staff, including higher staff ceilings;
- An overseas study trip to investigate new types of major appliances and hovercrafts; and
- A new roster system for staff.

The division's director, Captain E T Kippenberger, told *NBR* that most of the recommendations would be actioned or in place within another year, although some such as bridge and road-widening work could take longer.


Horticultural Research Unit

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The Horticultural Research Unit was formed in October 1978 with a grant from Government to investigate the export opportunities for Horticultural products. Although the Unit is located within the New Zealand Export Import Corporation, it is entirely separate from the Corporation's trading activities and is designed to provide an export market research service to the horticultural industry. The industry's research needs to date have been defined in part by the Unit in discussion with the industry and in part guided by the Horticultural Export Development Committee.

Given the wide range of products embraced by the term 'horticulture' the Unit cannot hope to cover all products produced by the industry in detail. In addition there is a serious lack of market data for this range of products. For these reasons the research to date has been to provide a data base for later detailed research through general studies of a range of products and market area. Many of the marketing structures within the industry, communications and transport in particular, are poorly developed and several studies were under-taken to define these problem areas.

The Unit's reports are available to all interest parties and a detailed list and background of its work is provided. If you require copies of these reports or further information about the Unit and its work please use the form below:

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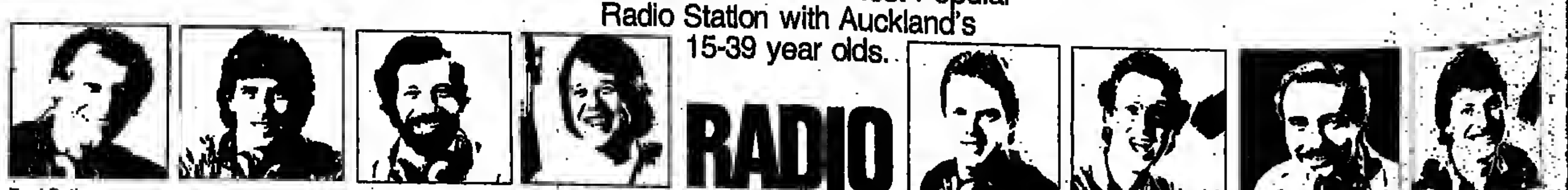

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*The week*

# Investment sought to develop new NZ technologies

by Allan Parker

TWO world-leading technologies developed or improved by New Zealand scieotists — based oo natural resource processing — need ioyestors to help turn them into export industries worth tens of millions of dollars a year.

Both processes bave beeo proved to the point where they require small-scale manufacturing plants to develop their international commercial potential.

Government researchers from the Ministry of Agriculture and Fisheries and the Forest Service have spent years developing the processes and proving them in pilot plants.

Now the Development Finance Corporation is trying to encourage industrial investment to make and market the products — a high-quality protein concentrate for use as an animal feedstock and ethanol as an alternative fuel.

The first project — the manufacture of protein — is regarded as particularly promising.

Agriculture and Fisheries scientists at the Hamilton-based Ruakura Animal Research Centre have taken seven years to develop a process for extracting leaf protein/concentrate from lucerne.

Tbe $1 million research programme bas also come up with a way to turn the waste material from tbe process into ethaool, making the economics of both processes for commercial exploitation much healthier.

The lucerne stock is crushed to squeeze the protein juices out and provide the concentrate for stock and chicken feed. The fibre waste or "roughage" then provides a no-cost raw material for ethanol production.

Even if the production costa are spread over the two processes, the general economics are still commercially viable, according to the DFC's technology development manager Ian Coombe.

The lucerne-processing part of the technology differs from the traditional method of using the grass for animal feed. Usually, it is dried only before feeding out.

But the high energy cost of drying the lucerne has made the method economically unsound for producers using fuel for the drying process and barely marginal for producers able to use solar heating.

Several companies which embarked oo lucerne production in the 1970's — notably UEB and Fletchers — had their ambitions soured by the increasing cost of fuel.

For that reason, there has been some sceptism in the local market-place about accepting tbat the new process may be economical.

Coombe also believes "it's another case of people once again beiog a bit reluctant to admit New Zealand can develop these technologies".

However, a number of local companies have recently indicated an interest in commercialisation.

The new process, however, relies on a mechanical crushing process to produce a high added-value product.

Interest in the product has already been shown by Japan. Coombe believes there are other export prospects in the United States and South-east Asia.

The potential market for the leaf protein concentrate is still difficult to estimate, but Coombe "conservatively" forecasts long-term international sales could be up to 100,000 tonoes a year. At $800 a tonne, potential earnings are $80 million annually. The ethanol product is, of course, extra.

The Ministry of Agriculture and Fisheries has charged the corporation with handling the commercialisation of the process.

Coombe believes this could be done either as a joint venture between a company and the corpomtion, or solely by a company with DFC financial development assistance.

The size of the initial investment needed to build a small-scale plant capable of producing marketable quantities of the concentrate is estimated to be between $1 milllon and $5 million.

A aimilar investment is required to produce a small-scale manufacturing operation for the second technology developed by researchers.

Foreat Service scientists have upgraded existing acid-hydrolysis technology to produce ethanol from wood waste.

Their new process is based on technology developed by Germany during World War II as an alternative fuel source.

But the forestry researchers have applied modern technology and processes to improve the process and build a pilot plant to prove it over the laat three years.

Reports from countries leading wood waste-to-ethanol research such aa Brazil have said the Foreat Service improvements now lead the world in biomass energy research.

The improvementa have significantly reduced the previous high costs of producing ethanol from wood waste and, according to Coombe, improved the general production economics to commercially acceptable levels.

The ethanol process may, however, require overseas input for the technical and sophisticated plant engineering required. But Coombe hopea that production could still be retained in New Zealand.

# LPG supply network

by Rae Mazengarb

THE bulk LPG distribution and supply consortium, Liquigas, will be operating as a legal entity within a few weeks.

Incorporation of the group will be a mere formality, according to group chairman Jim Hogg.

"Operations are going on now," he said. Work had been proceeding and the venture was already "down the track".

Liquigas — comprising Petrocorp, Rockgas, New Zealaod Industrial Gases, and oil companies Shell, BP and Todd — will be responsible for the establisbment of a $50-60 million nationwide network of bulk LPG distribution and storage facilities.

The venture aims at overcoming supply problems and shortages of LPG which have hampered the penetration of the fuel into the automative market.

The consortium also lends itself to the establisbment of bulk-handling facilities by normally competing interests without unnecessary duplication.

But the key to its success will be the planned movement of bulk LPG out of Port Taraoaki by sea to the South Island.

Anticipated environmental problems and necessary plaoning approvals could mean the full distribution network is now only two years off.

Hogg was unwilling to specify dates, but he said progress would hinge on bow quickly planniog approvals would be granted to get depots in place.

The consortium was already engaged in preparatory work for the hearings, he said.

Firm plans are under way for the establishment of depots at Auckland, New Plymouth and Wellington.

The group is also looking at Hamilton, Whangarei, Napier, Palmerston North, Lyttleton and Dunedin. Other possible sites could be Nelson and Bluff, but Hogg said these locations were far from firm choices at this stage.

Production of LPG has been running around 20,000 tonnes a year, but once the distribution system is under way — complete with the sea transport link — it will build up to more than 100,000 tonnes, Hogg said.

Although the wholesale price of LPG has been taken off the positive list of goods under price control, Hogg said Liquigas was looking at "a uniform price ex depot".

Government policy is tbat there should be a national distributioo network with a commoo bulk price.

Petrocorp aod Todd will not be iovolved in wholesaling the fuel; rather this will be left to Rockgas, NZIG, Sbell and BP.

Tbe six shareholders have been working behind tbe scenes for almost a year now, to get tbe operation under way. Some have lately re-arraoged their structures to operate with the new group.

Tenders for the $9 million tanker bave been made by three groups, but tbe contract will go either to the Shipping Corporation of New Zealand or the rival Union Company.


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*Comment*

# Editorial

TESTIFYING to the royal commission into the Mt Erebus disaster, Air New Zealand chief executive Morrie Davis said he had a strong personal commitment to safety and that the commission's findings — whether favourable or unfavourable to the airline — would be closely studied. "The company must learn from this tragic experience and take all possible steps to ensure that its previously unblemished international passenger safety record is maintained in the future," he said.

Now that the commission's report has been publicly damning of the airline and of his administration, Davis has been significantly silent. But other airline officials have spoken out in a manner which indicates a preoccupation with efforts to protect the reputations of senior personnel (Davis' among them) rather than a willingness to deal with the more fundamental issue of overhauling administrative procedures and restoring public confidence in the beleagured airline.

As a crucial first step to winning back Air New Zealand's lost prestige, the board — and the Government — must face up to the harsh judgment of the royal commission. The report should be read and the failings which it points to should be corrected as a matter of urgency. Court action to challenge aspects of the report which most rankle airline officials is unlikely to throw light on fresh facts that will improve the airline's administrative effectiveness or enhance its safety record.

Those whose sense of loyalty has prompted concern for colleagues instead of for the bigger issue of the company's immediate future should accept that Mr Justice Mahon is both an eminent and experienced judge (with a felicitous turn of phrase, for good measure); he, unlike them, has no axe to grind. If he expressed himself in vigorous language, it is because he deems such language appropriate. He sat through the hearing; he observed the demeanour of witnesses, as well as hearing their testimony. The public should ignore those who try to persuade them that — through reading the transcript of evidence — others are in a better position than him to pass judgment.

Air New Zealand officials complain that some matters were not put to witnesses. They employed an experienced Queen's Counsel, a veteran of many contests. He, no doubt, appreciated the implications of the evidence, and he had the opportunity to win support for the airline's case through cross-examination and in his closing remarks.

Board member Des Dalgety is among those who have subsequently studied the commission's report and the transcripts of evidence; and he influenced the decision to challenge some of the commission's findings.

He might have persuaded fellow directors to express surprise at the commission's findings, then encouraged a determination to accept those findings and to clean up the organisation. Instead, he assumed an adversary role on behalf of airline chiefs, apparently extending his obligations as a director to become a lawyer hired to counsel the airline (and the Prime Minister).

Rob Muldoon involved himself in diluting the effects of the commission's criticisms because the majority shareholding in the airline is registered in his name as Minister of Finance (which "gives me a direct interest in what should be done by the Government"). He has put questions to the board; depending on the answers, he will take "appropriate action" or recommend such action to Cabinet. He says he has tried throughout to "support a proper approach to determining this matter" and that "what we are going to do is get this thing tidy one way or another . . . In the future interest of the airline we can do no less". The report contains all the material he should need if reforms are to be implemented. He also acknowledges that some of the material that comes back from the board might be of a nature that it is "inappropriate" to make public. The shareholding might be in his name; the public are the real shareholders, yet they may be denied facts on which action is taken.

Transport Minister Colin McLachlan, in contrast to Dalgety and Muldoon, has been almost mute on the subject, although the report criticised several areas that require cleaning up within his department. If ministerial responsibility has any meaning, he should resign; this is not the first inquiry into a fatal Air New Zealand crash that has drawn attention to failings within his department. But perhaps because a board of inquiry is investigating aspects of a fatal rail crash in Wellington in March last year, McLachlan is waiting for a hat-trick of indictments.

Above all, the restoration of the airlines's credibility demands a change in management style. Davis's order to destroy all Antarctic flight documents not considered relevant was found to be "extraordinary" and a "grave error". Once Davis had embarked on the course of chopping up documents, he invited adverse criticism and suspicion about what else might have been suppressed from the public gaze.

There were other lapses in forthrightness — the fact of the navigation course of the doomed aircraft being altered in the computer was disclosed in the air accident report six months after the disaster, but was publicly admitted by the airline only when the commission's inquiry began.

Other arguable aspects of the "autocratic" Davis' management methods came to light from the inquiry. His inclination not to delegate authority means that he has a greater influence on the administrative style than would be the case in other major companies, and, while he can not be held directly responsible for all blunders committed within the organisation, he is the man who organises the organisation and must accept the blame when that organisation fails.

Not surprisingly, the pilots have become angry at the post-report efforts to turn the blame from the administration to their dead colleagues. They have threatened industrial action in response to what they regard as the management's turning to them to find a scapegoat. That does nothing to inspire confidence; an angry pilot is more likely to have an accident than a contented one, as has been established overseas in the co-relation of air safety levels to the degree of tension between pilots and their employers. And even if pilot error was held to be the prime cause of the crash, it is difficult to see how the company which employed the pilots could escape ultimate responsibility.

Addressing the International Flight Safety Foundation last year, Davis spoke of the "morality of management" and its relationship to safety; unless this morality existed in abundance, he was reported as saying, then the approach to the importance of the individual in the safety chain could be devalued. "Lack of attention to the performance and actions of people, wherever they be involved, will inevitably lead to an incident which may otherwise have been avoided". Almost prophetic. But in the airline business, a pilot whose competence is in question is suspended until the facts have been established. The morality about which Davis spoke surely requires at the very least that he be suspended until the outcome of further attempts to sort out the facts in the Mt Erebus case are known. If the commission's report is upheld, the course for Davis is patently clear.

— Bob Edlin

## *Without word of a lie*

### In fits and starts

A SOUTH Island tourist magazine, *Look South*, bears the following imprint: "Look South is a Mountain Scene publication produced quarterly and distributed monthly".

### From on Highet

EVERYONE knows that not much happens in New Zealand without Government authorisation, but mostly Acts of God have been left to the Deity Himself. Until recently, when a Television New Zealand bulletin began something like this: The Paerua and Thames flooding is a major disaster with hundreds of people homeless, said the Minister of Civil Defence, Mr Highet, when he visited the area today.

It was not recorded whether the mayors released official statements, in the New Zealand manner, thanking the Minister for letting them know.

### All's fare

CONVERSATION with a Christchurch taxi-driver:-

*NBR*: How's business holding up?

Driver: Not bad. Problem here is the bus service is too good.

*NBR*: I believe taxi business hasn't been too bad in some other cities since petrol and car prices began rising, especially in Auckland.

Driver: Yeh, but Auckland's different. None of the whites are game to travel on the buses up there because of the fights between Maoris and Islanders.

*NBR*: In the daytime even?

Driver: All the time. If it's not the Maoris picking on the whites, they're fighting the Islanders. So the whites just keep off the buses.

Scarey, eh?

## *Brockie's view*


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*Comment*

# Francois Mitterrand and new Pacific policies

by David Roble

IF Francois Mitterrand finally makes it on Sunday and becomes the new President of France, New Zealand could expect to see a significant shift in relations between Paris and the South Pacific.

As the first socialist leader of his country under the Fifth Republic, Mitterrand is likely to steer France's three Pacific territories closer to independence, or at least genuine self-government.

More liberal political and economic reforms for New Caledonia and French Polynesia would benefit these rapidly growing trade partners of New Zealand.

Mitterrand and current French President Valery Giscard d'Estaing emerged safely from the first round of the election and several opinion polls have given the socialist up to a five percentage point lead over his rival in Sunday's runoff.

But there is frequently a conservative swing between the two rounds of French elections. Mitterrand was pipped for the presidency by Giscard in 1974, when he was defeated by a mere 50.8 per cent to 49.2 per cent.

One of the last active politicians in France who was a minister in the old Fourth Republic before De Gaulle, Mitterrand, who is now 64, is waging his third campaign to win the presidency.

If elected to the seven-year office, he can be expected to use the presidency — which has the most sweeping executive powers in any Western nation — to introduce many socialist reforms.

It will not be easy, because the left has been excluded from power for nearly a quarter of a century in France and the centre-right has a majority in the National Assembly.

Although the South Pacific is fairly low on socialist priorities, nationalist deputies in the Assembly for both New Caledonia and French Polynesia are likely to cash in on the advantage and raise their demands for greater local political power in their territories.

Roch Pidjot, one of two deputies for New Caledonia, is leader of the Front Independantiste party coalition which briefly held power in Noumea before being gerrymandered out of office.

He is seathing about a recent declaration by French Secretary of State for Overseas Territories Paul Dijoud that "New Caledonia will stay French for good".

"When Dijoud says we're (pro-independence movement) losing ground, I wonder what he means. We're not out to make a great noise, to smash and demolish everything — to do, in a way, what he wants us to do," says Pidjot.

"The supporters of independence are not violent people.

"Now that our initiative has been recognised, it's finished. It's been talked about in the National Assembly, all over Europe, and internationally...

"Faith is all that counts, and that's how it is with us — we believe in what we're doing."

In Tahiti, where the autonomist coalition parties Here Aia and Ea Api hold office, local politicians cite the Cook Islands as their model for self-government.

In France's third Pacific territory, Wallis and Futuna, which is important only as a labour pool for New Caledonia, self-government is an unimportant issue.

Under the Fifth Republic constitution, France guarantees all French overseas territories the right to become self-governing or independent.

Fifteen French colonies in Africa took advantage of the provision between 1958 and 1962 — and each is now fully independent. Another, Afars and Issas in the Horn of Africa, became independent as Djibouti in 1977.

But the Giscardian administration hasn't been prepared to offer the same rights to the South Pacific territories — in New Caledonia because of the high number of French *colons* settling the territory and its nickel mining industry, and in French Polynesia because of the need for a remote nuclear testing zone after Algeria wrested its freedom in 1962.

The present Paris administration also wants to hold on to the huge slice of the Pacific carved out by potentially rich 200-mile economic zones.

Both New Caledonia and Tahiti rely on large infusions of French capital. Concerned about the unsettling effect of Vanuatu independence, France has also embarked on a 10-year economic development project known as the "Dijoud plan" for New Caledonia in an attempt to give Melanesians a fairer deal.

Last year, Paris pumped more than $240 million into New Caledonia.

But both Vice-presidents Dick Ukeiwe of New Caledonia and Francis Sanford of French Polynesia — de-facto "Premiers" of their territories — seek greater self-reliance in their economies.

Their efforts toward this goal has led to the territories becoming more active trading partners for New Zealand.

Last year, French Polynesia almost doubled imports from New Zealand to $21.6 million, overtaking Western Samoa as our third-ranked market in the region.

And prospects in the two high-spending territories look even more promising if Mitterrand becomes President. Greater political powers for Noumea and Papeete will give them more trading freedom within the South Pacific.

"Of all the islands in the South Pacific, the French ones enjoy by far the highest standard of living," says a leading Auckland exporter.

"They are potential markets for an incredibly wide range of goods and merchandise from basic foodstuffs to luxury items, from meat to high fashion."

It isn't clear what would happen to the French military nuclear programme in Tahiti if Mitterrand takes office. Although the socialists reluctantly accept the existence of the *force de frappe*, Mitterrand has pledged to review the entire civil nuclear programme, which he describes as "excessive, even dangerous."

Certainly, the high level of activity at Moruroa atoll which has seen a record 11 tests last year and nine during 1979 would be drastically curtailed — at least.


Mitterand . . . new ideas for Pacific?

A change of site could also be considered. Speculation in Tahiti has cited the northern Marquesas islands — just as unwelcome to Tahitians — or the remote French outpost in the southern Indian Ocean, Kerguelen Island.

During a recent interview with State Secretary Dijoud, the French news weekly magazine *Le Nouvel Observateur* challenged him on France's reasons for its neo-colonial presence in the Pacific — the nuclear bomb, mineral ores and seabed nodules.

"Why disguise the fact that our national interest is to stay in the Pacific?" replied Dijoud.

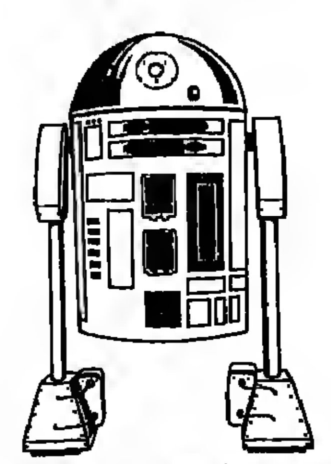
"Thanks to our territories and their zones of sovereignty, France has the third-largest maritime economic zone in the world. The core of humanity's hopes lies in the sea and under the sea.

"What's more," added Dijoud, "the major powers of the 21st century are to be found around the Pacific — the United States, the Soviet Union, Japan, China, Indonesia and so on.

"So it's natural that France should be there."

David Roble is an Auckland writer on French Pacific affairs who lived in France for three years.


# Are we in danger of seeing the average consumer like this?



As researchers, marketers, and advertisers, are we guilty of accepting a too simplistic view of the consumer?

The New Zealand Market Research Society's 1981 National Conference will change our attitudes to many of the 'theories' we rely on. It will increase our understanding of that elusive phenomenon 'consumer behaviour'. Mary Tuck, our principal speaker, a leading British psychologist and researcher claims that market research does not in fact, address itself scientifically to the evaluation of consumer behaviour but too often relies on "theories without foundations" and "theories without facts".

If you suspect that research is too often merely a crutch to rationalise decisions; or if you feel that there could be other ways of measuring, understanding and using research into consumer behaviour, you should not miss the New Zealand Market Research Society's National Conference.

The conference will be held at Massey University 27th-29th May inclusive. As accommodation is limited mail this coupon early for the full Conference Prospectus and Application Form.

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*Letters*

## Air freight and fares

I WRITE in reference to your April 20 issue and, in particular, to the articles concerning air freight rates and air fares to Europe.

It is unfortunate that no discussion with the Ministry of Tranaport took place in preparation of the article on air freight rates. The article creates a very misleading impression of the tariff fixing procedure and is ill-informed in its comments on New Zealand-United States air freight rates.

Under the International Air Tariff Regulations 1978 any airline can file with the Secretary for Transport tariffs that it wishes to make available. Pan American, Continental and Air New Zealand have all used thia facility in respect of freight ratea to the United States.

The Secretary for Transport makes a decision on the filing after proper evaluation in line with the criteria laid down in the regulations and bearing in mind the pricing criteria of the Government's external civil aviation policy. No filing is "rubber-stamped" by the Secretary for Transport and, indeed, there have been several occasions upon which cargo rate filings have been varied or not approved by the Secretary for Transport.

The concern expressed about rates to Portland, Seattle, and Vancouver shows a misunderstanding of the cargo tariff structure to North America.

The article claims these are gateway points but no carrier serves them from New Zealand other than via Los Angelea. The domestic sectora beyond Los Angeles to these destinations have no more claim to being set at the same level as Los Angeles rates than do sectors to Kansas, Dallas or Oklahoma which are a similar distance from the West Coast gateway.

I would point out that the 15 per cent increase applies to all United States and Canadian destinations other than the three gateways — Honolulu, Los Angeles and San Franciso — which attract the 5 per cent increase.

It should also be noted that the increases apply to specific commodity rates which in themselves represent substantial discounts on normal cargo rates.

Your article states that "Pan American and Continental must absorb the high freight rates within New Zealand to get cargo to Aucklnnd". In fact, cargo rates from Wellington and Christchurch to North America are higher than those ex Auckland because they incorporate an element of cost recovery for the additional carriage required.

It is at the North American end that Air New Zealand have absorbed domestic freight costs because until May 1 the common rating of Seattle, Portland and Vancouver with Los Angeles would have prevented any cost recovery for carriage from Los Angeles to those points.

Before the implementation of the freight or passenger tariff increases Pan American and Continental were consulted on the need for revenue increasea to compensate for higher costs.

The elements of the cost structures which had increased were not peculiar to passenger traffic, and accordingly the necessary additional revenue to recover those coats should be gathered from both passenger and cargo traffic.

Your article concerning the ministry's dealings with Continental Airlinea and Pan American alleges that the ministry connived with Air New Zealand to give that airline an unfair advantage in marketing the recently approved air fares to the United Kingdom and to Europe. This is not true.

All porticipsting carriera were advised of the new fares at the same time and of the filing requirements. The fact that certain airlines delayed their response or failed to meet those requirements is not the fault of the Ministry of Tranaport.

In the event, both Pan American and Continental Airlines accepted that they were not being unfairly treated and your article on this subject is a non event. In a desperate effort to make something of it you conclude that the passenger is being deprived of "a better deal than that offered by the New Zealand airline".

Thia is nonsense and I would refer you to my earlier comments concerning the criteria the Secretary for Transport is obliged by law to have regard to when approving tariffs.

Uniform fare levels out of New Zealand is in fact a separate issue. While it is recognised that individual carriers may have differing cost structures these differencea are minor in comparision to unavoidable coats auch as fuel.

The allocations of overheads can be manipulated easily to secure short term advantages but ultimately the passenger, probably on some other route, will pay. The ministry is concerned to ensure that true allocation of costs taking into account the characteriatics of the routes in question.

I would be obliged if you would do me the courtesy of publisbing this letter in full.

**A J Healy**
**Acting Secretary for Transport**

**Continental Airlines and Pan American World Airways say they received the first advice of the filing of the new fares between New Zealand and UK/Europe late on March 23. They had to get detailed information from Air New Zealand on March 24, and were not able to assemble the complete information from the Ministry of Transport to complete filing requirements until April 6. The Auckland Star carried an advertisement from Air New Zealand announcing the new approved fare for sale, on March 25. Both carriers say those facts speak for themselves.—**

**Editor**

## Purchasing power gap

COLIN James claims that Socreds' proposal for "inflation guaranteed savings" and "low-interest credit" is an "apparent logical inconsistency". (*NBR*, April 13). Not sol

In fact we already have inflation-adjusted government savings bonds and low interest Rural Banking and Finance Corporation loans — not to mention Marginal Lands Board grants and suspensory loans for which no interest is charged.

In real terms it is entirely possible for lenders and borrowers to agree that the lender get back the same purchasing power as advanced and that the borrower pay only that little interest which covers risk and the cost of the paper work of the transaction.

Colin James is right that in the existing confusion of the mixed economy — a mixture of capitalism and socialism — for the government to guarantee the purchasing power of all savings and, at the same time as inflation gallops along, to make low-interest loans is of course impossible.

Since the early 1920s Social Credit has seen the obvious purchasing power gap in existing system. Orthodox economics denies the existence of the purchasing power gap. Muldoon's type of orthodox historical cost accountancy denies the existence of the purchasing power gap for services which is obvious in growing unemployment right now.

For 60 years Social Credit has seen the obvious purchasing power gap in existing system. It has not yet discovered the cause of that gap.

Private property is indispensible to individual liberty. The fundamental fault of the present systems of the Weatern world is that the institution of private property has been distorted to permit the snowballing of power and wealth into the hands of the top few people — the powerful who are also the wealthy.

The dedication of Social Crediters comes from baving seen the obvious purchasing power gap and knowing that it caused the suffering of the great depression and ia causing growing unemployment in New Zealand right now.

That core of dedication has not wavered in 60 years. In the hands of Bruce Beetham and those who surround him that dedication has developed into a major political force.

Since publishing *With Liberty And Justice For All* in 1947 I have been expounding the obvious fact that the purchasing power gap arises from the snowballing of power and wealth into the hands of the top few.

The top dogs control too large a fraction of total income. They use a substantial part of that control of income to purchase more concentration of power and wealth into their own hands instead of purchasing all goods and services available from the rest of us.

The purchasing power gap arises from the snowballing of power and wealth into the hands of the few top dogs. Big shots like this consequently hire economists who deny the existence of the gap and ridicule those who propose to eliminate the gap.

**John R Perkins**
**Tauranga**

"He's got an entrepreneurial spirit, but a disco mentality."

*Politics*

# The 'mateship' principle of reciprocal loyalty

by Colin James

OCTOBER 23, 1975, was not a happy day for our Prime Minister. That was the day the Citizens for Rowling took to the newspapers to say they thought the National leader was not the right man for Prime Minister.

I was not there then, but someone who was close to the National camp has since told me it fair winded our indomitable leader.

For instance, among "these precious people", as he called them in his book, *Muldoon*, was old mate Peter Gordon's brother.

The Citizens for Rowling had got it wrong, of course. As our compulsive autobiographer pointed out, they had "misjudged the New Zealander" in their "arrogant" presumption "that the ordinary bloke would be so impressed by the importance of their names and titles that be would cast his vote accordingly".

When our leader got his wind back, he got angry.

And when on November 29 the ordinary blokes of New Zealand gave him power he began to root out the culprits from state-supported and state-appointed posts.

Five years later he still tags Citizens for Rowling. Professor John Roberts got a blast a month or so back.

The memory is long and its capacity for detail is compendious.

Personal loyalty seems to be important to the Prime Minister. His complaint about Peter Gordon's brother's citizenship for Rowling was not for choosing wrongly in the national interest, but for "failing to realise the effect it would have on Peter, who was terribly upset at this apparent evidence of family disloyalty".

This premium on loyalty limits others' room for dispassionate disapproval of him, his actions and his policies. Once someone crosses the disloyalty pale, there seems to be no way back to acceptability.

At least one minister has gone that way. So have some of the senior people in the party organisation. Remember the reference in *Truth* last October to "ungrateful" MPs who had thought of ousting him; recall the reference in January to the "disloyal" former Young Nationals chairman, Martin Gummer.

Conversely, "loyal" people attract rewards and favours — and unwavering loyalty in return.

Recall the many vigorous defences of Transport Miniater Colin McLachlan. Watch the rising careers of Des Dalgety, a lawyer who has acted for him, and Harry Julian, cruise cobber.

He makes much of friendship. When he came back to Wellington last October to a most unfriendly environment, he repeatedly talked of members of the executive and caucus as "friends".

Contrast this projection of "friendship" and "loyalty" with the acknowledged isolation of Bill Rowling, a man who neither seeks nor has confidants. Rowling makes his position a lonely one, with no favourites but also no leaning-posts.

Few will go to bat blindly for *him*, as distinct from the "decent" leader.

At the other extreme is the Prime Minister. He responds to real "mateship" with real loyalty.

"Mate" Colin McLachlan . . . vigorously defended.

In return he has a number of people who will bat for him in the dark on a pitch full of craters. Loyalty begets loyalty.

Rowling's style means he must rely on impersonal methods of communication and administration. He goes to extraordinary lengths to find the median point between opposing camps.

(And occasionally falls in between. After months of abjuring spending election promises, he last week launched a women's policy full of them.)

The Prime Minister's is a much more personal rule. He will instinctively and reflexively leap to the defence of a "mate" under attack.

Rowling will put personal feelings aside and judge the matter on its merits. Friend Colin Moyle was left to face the music.

Not so prime ministerial mate Duncan MacIntyre. The Prime Minister took MacIntyre's part with an almost breathtaking vigour, which almost certainly made the difference in the deputy leadership election.

There was a similar quality about the Prime Minister's reaction to the report of the Royal Commission of Inquiry on the Erebus crash.

While we, the taxpayers who supposedly own Air New Zealand (or at least its losses), spoiled for the blood of chief executive Morrie Davis after Mr Justice Mahon's "litany of lies" comment, the Prime Minister *seemed* to share the airline board's combative dismissal, not of Davis, but the learned justice's findings.

His stance, at home and abroad, was summed up by his admonition just before the report release to rally round our airline. He was, to borrow a commodity seller's phrase, "talking the market up" at a time when round the world the airline would be in very bad odour.

It was not until a press conference two days after the report that the Prime Minister first publicly appeared to be leaning on the airline.

He said he would put to the company board a list of questions about "the responsibility of the board and the management for what occurred both before and after the crash". Depending on the answers, appropriate action would be taken.

The board, he said, could not "escape from its general responsibility for oversight of the airline". He, of course, is the principal appointer of board members.

He said he "would hope I have given no such impression" of having supported Air New Zealand's criticisms of the report.

But in the same press conference he said there was in his view no case for suspending Davis, though that was a matter for the board. Then, and later in an Australian television interview, he mentioned the airline's intention to challenge the commission's conclusions in court as having been based on a thorough reading of the evidence by Dalgety.

He thus left room for confusion and differing interpretations of just where he stood — as he has done through much of the Springbok tour controversy.

Why, when the politically popular course would have been to demand swift retribution?

We could charitably commend statesmanlike refusal to bay for blood and accept that he was acting formally and constitutionally in respect of the detailed affairs of a publicly-owned company — a restraint he is less eager to display towards the Broadcasting Corporation.

We could also charitably assume an overriding concern for the airline's reputation, to hold losses from the bad publicity — though talking a market up when it is plainly down often damages the talker without changing the altitude.

An uncharitable view is that he was instinctively defending a pet project — the much maligned absorption of the old National Airways Corporation, still insufficiently explained and susceptible to renewed criticism if the top management is suspected of incompetence.

Alternatively, the uncharitable might point out that involved in Air New Zealand are at least two of his "mates" — McLachlan and Dalgety. I am told, though cannot vouch for it that Davis is a "mate" too.

Thus on this view he would not say Davis should be suspended; thus he would not say Dalgety's questioning of the report might unwisely prolong the agony.

I don't know which view is correct. I would like to be able to take the charitable view and there is evidence for it.

But there is also cause for people to wonder whether one or other of the uncharitable views was at least a contributing factor to the ambivalence.

Why, for example, did he not move more swiftly, decisively and publicly — not to demand executives should be fired, for as he has said that is correctly the board's province, but to call the board to account to its captive taxpayer shareholders for its administration?

Confidence in the airline or the Government's supervision is hardly likely to be high if the Erebus crowd is left in charge, unadmonished.

Whatever his eventual action, his initial ambivalence risked accusations of an appearance — and I emphasise *appearance* — of government by "mateship" instead of dispassionate assessment of the national interest.

"Mateship" has a practical value for someone who may aim to build a constituency independently of his/her party. The support of "mates" could potentially supplant the otherwise necessary support of the machine.

"Mates", in other words, pave the path to personal populist power. Cause for thought.


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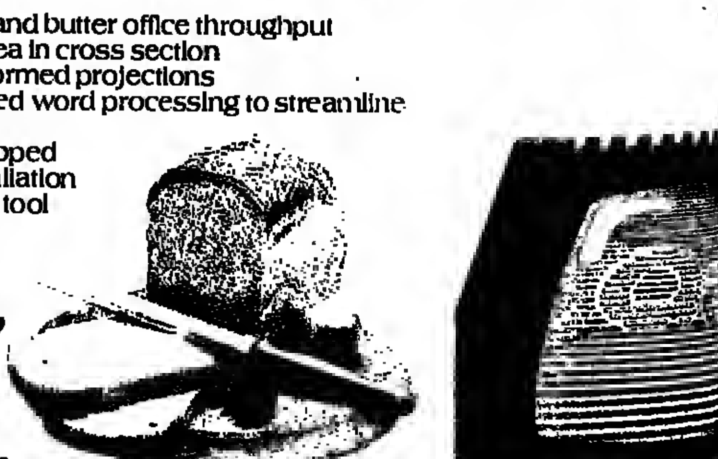

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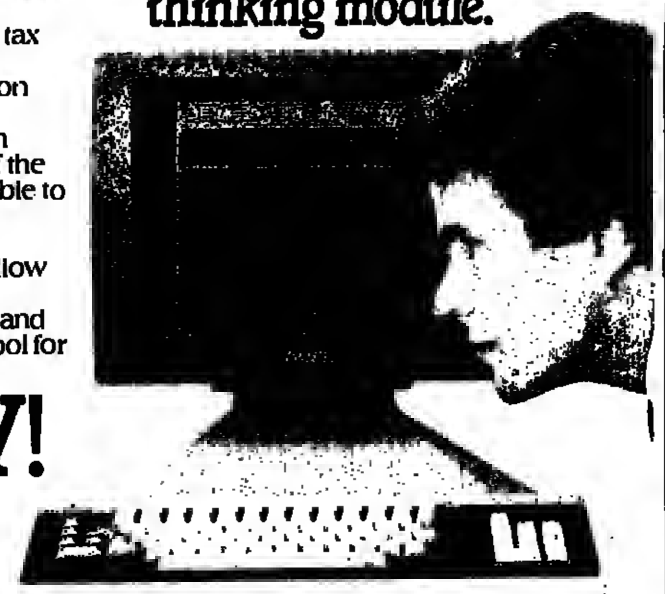

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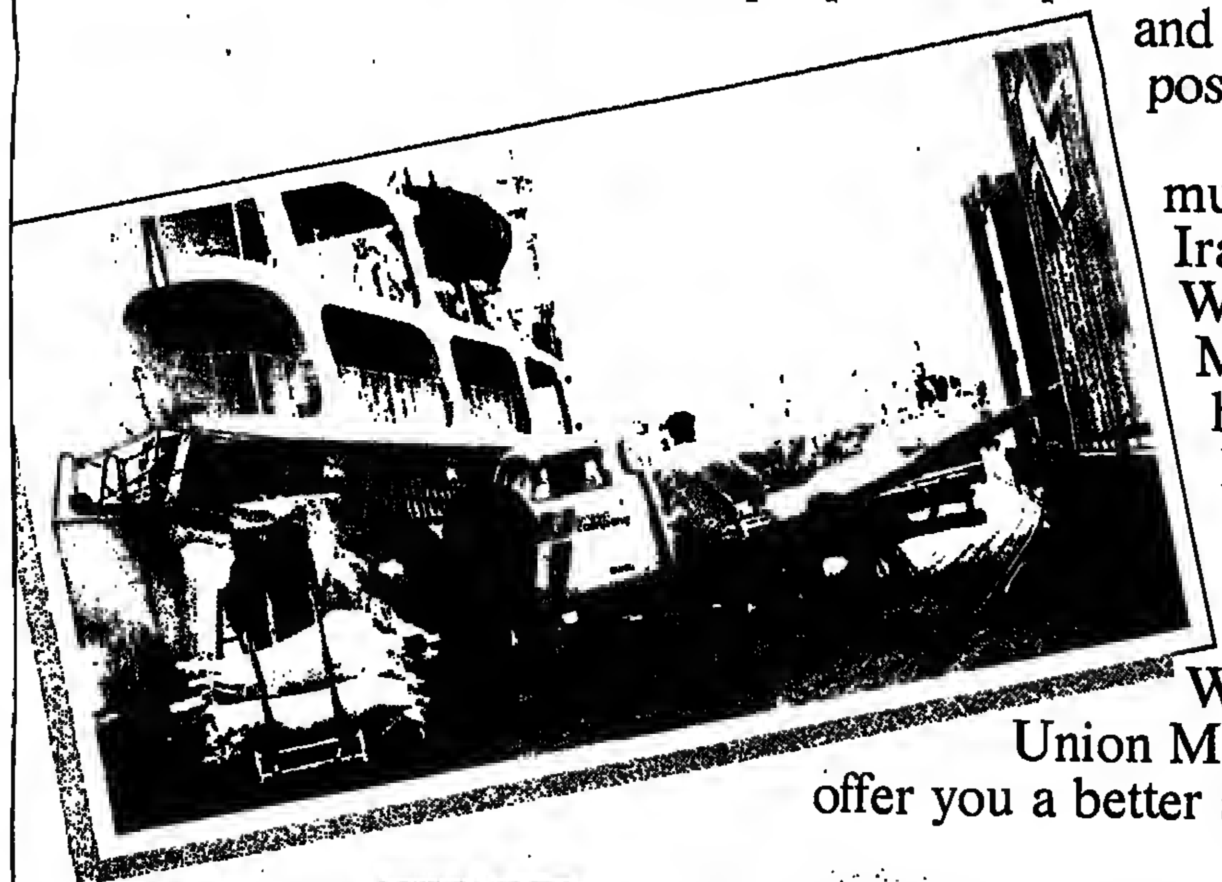

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# Study finds benefits of tax-wage trade-off

Economics writer

HIGH rates of inflation and a growing tax bite have recently prompted discussion of a tax-wage bargain between the Government, the unions and the employers.

The idea is that instead of adjusting wage rates for rises in living costs (and taxation), the purchasing power of wages would be maintained by reducing personal income tax rates.

While the idea sounds good, it has never been tried here and there is uncertainty about the nature of such a bargain and what the outcome might be. To test the impact of such an agreement, the Planning Council's economic monitoring group commissioned research simulating a tax-wage trade-off and assessing its impact given different economic conditions.

In an article appended to the latest EMG report, *"The macro-economic Implications of a Tax-Wage Trade-off"*, economist Bob Buckle discusses the results of his research. In brief, he found that his simulated tax-wage trade-off had a significant impact on increasing employment but produced no great reduction in inflation.

A tax-wage trade-off is viewed as a means of simultaneously reducing the rate of inflation and increasing employment or at least achieving one of these objectives without jeopardising the other.

Hopefully lower wage costs brought about by the tax cut will be passed on by producers as lower prices for goods and services, leading to a permanent reduction in the rate of inflation.

At the same time, it is hoped that reduction in wage rates relative to other in put costs will encourage producers to employ more workers, leading to a permanent rise in employment.

While the impact of a tax-wage bargain will depend on the nature of the bargain and the parties involved, Buckle selects to analyse the impact of a straight tax-wage trade-off. That is, tax rates are reduced to maintain the present purchasing power of wages.

The bargain which actually comes about may be different. Buckle's research provides a benchmark against which that bargain may be assessed in terms of its potential to achieve a particular set of objectives.

Responses to the tax-wage trade-off may take the following pattern. The immediate effect is to reduce producers' wage costs. Tax reductions sufficient to maintain disposable income levels will cause a reduction in the growth of Government taxation revenue.

Whether these effects stimulate producers and the Government to act in a way to reduce inflation and create employment depends on economic behaviour in four main areas.

First, the pricing behaviour of firms and the role of demand (the desire of consumers to buy goods and services) in the determination of prices and wage rates. For lower wage costs to be passed on in prices, firms must be able to set their own prices and must want to do so.

When demand is buoyant (people are in a buying mood), firms may prefer to maintain prices and the lower wage costs will be reflected in higher mark-ups.

Second, the impact of the tax-wage trade-off will be influenced by the reaction of firms to the reduction in wage costs relative to other production costs.

Initially, reduced wage-costs will decrease the costs to producers for each unit of output. Most firms will be in a position to increase their profits by producing more output.

The extent to which they decide to produce more depends on how much of the reduced wage cost they pass on in reduced prices.

The larger the proportion of reduced wage costs that is passed on to reduced prices, the smaller will be the increase in the firm's output.

Increases in output will lead to more jobs, depending on the levels of excess capacity. Firms with excess capacity are unlikely to increase employment at first. But further employment demand will be generated as they approach full capacity.

Third, the extent to which a tax-wage trade-off leads to a reduction in inflation and rise in employment depends on the size of the Government's budget deficit.

If Government spending is held at the same level, a tax cut will cause a rise in the deficit. This is likely to stimulate demand (at least in the short-run). If demand for goods and labour grows faster than the supply of each becomes available, excess demand may add to inflation.

Excess demand effects from the tax cut may be offset by compensating contractionary fiscal (Government budget policy) and monetary measures.

Finally, the balance between the demand and supply responses in commodity and factor markets will influence the outcome of a tax-wage trade-off.

Excess demand locally could lead to a worsening of the balance of payments as overseas supplies of goods and services are sought. A fully flexible exchange rate regime could offset these effects. Also, the demand responses will depend on the way the budget deficit is financed.

This summary of the four primary conditions which help to determine the impact of a tax-wage trade-off shows that the effects on inflation and employment is far from obvious.

To capture these effects, Buckle used the Reserve Bank's core model of the New Zealand economy. While this model provides a rigorous framework for analysing the dynamics involved, the results are not by any means sacred. Other models may indicate differences in the final inflation, employment and balance of payments response.

But other existing models of the New Zealand economy are not particularly suited for this type of analysis.

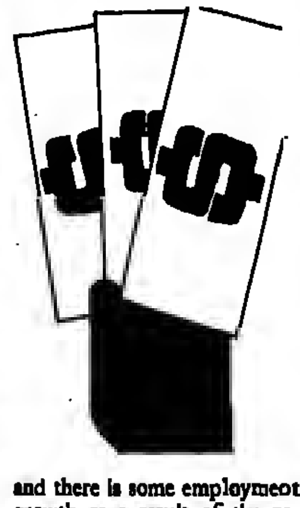
One limitation of the Reserve Bank core model is that labour supply is a fixed variable. Research suggests that the New Zealand labour supply is not fixed, but changes as employment opportunities change. So the model is unable to take account of the full implication on the labour market.

Buckle conducted two tests using the model. In the first, he introduced a tax-wage trade-off and no other policy measures. In the second test, the same tax-wage trade-off was introduced accompanied by a fiscal measure designed to offset the impact of the income tax rate reduction on the monetary system.

On its own, a tax-wage trade-off will initially create growth in output and combined with the reduction in real wage rates this will lead to more employment. The tax cut will result in excess demand manifested as an increase in the overseas deficit. While employment may continue to gain over a four-year period, these gains are at the expense of inflation.

When the tax-wage trade-off is accompanied by a reduction in Government transfer payments equivalent to the size of the reduction in income tax revenue, the excess demand effects are reduced.

This weaker demand has its main impact initially on output, employment and the balance of payments. Output falls, demand for imports falls and there is some employment growth as a result of the reduced wage rate.



In this case, the growth in employment generates growth in personal incomes. Personal income growth leads to greater demand which stimulates output (and imports increase). After four years, the inflation rate would still show some reduction.

Buckle points out that a particular policy mix has implications for the distribution of benefits. A simple tax cut-wage bargain will result in overseas borrowing which shifts the burden of financing the growth in employment to future generations.

When a tax-wage trade-off is accompanied by a reduction in Government spending, the financing of employment growth is shifted to the current generation.

These conclusions are based on understanding about past economic responses. An indirect effect could be that investors' confidence responds favourably to the bargain, leading to more investment, output and employment.

But the scope for beneficial responses from such a bargain comes back to Government fiscal and monetary discipline. The problems are more complex than a simple reduction in taxes.

As Buckle argues, "Full consideration of the effects of income taxes on wage rates would mean that both fiscal drag (the effect of inflation on the tax rate structure) as well as tax cuts would need to be taken into account.

"Unless wage earners suffer from 'fiscal illusion' (they are unaware of the impact of inflation on the tax structure), governments would need to be prepared to continually cut tax rates to induce a permanent reduction in the rate of wage inflation rather than a once-and-for-all reduction in the wage rate."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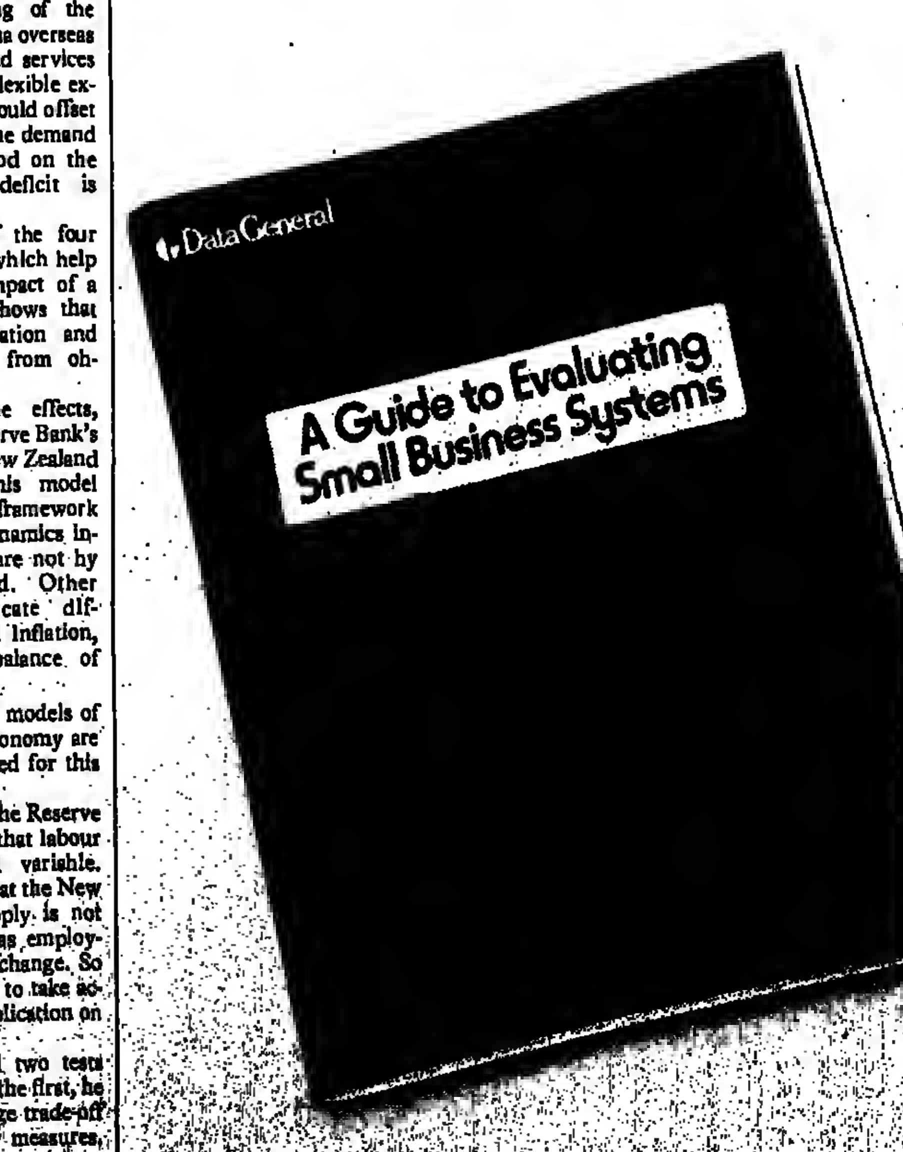


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*Shipping*

# Shipping Corp 'meat' in US legal sandwich

**by Warren Berryman**

AMERICAN trust-busters have killed the Shipping Corporation's chances of carrying meat to the United States this season.

After barring ABC Containerlines from the American meat trade last year, the Meat Board nominated the Shipping Corporation as an approved carrier.

Too small to offer a service on its own, the corporation planned to operate a joint service, splitting the cargo one-third each with the Bank and Shaw Savill Lines.

It would join the shipping cartel southbound but offer cheaper rates than the cartel northbound, because its service to the US via the Caribbean was slower than other cartel ships.

The American Federal Maritime Commission is holding up the Shipping Corporation's approval while it investigates a prior arrangement between Bank Line and Shaw Savill.

Under American law, the 1916 Shipping Act, administered by the FMC, has precedence over the Sherman Anti-trust Act, which bars cartelling, price-fixing and other restraints on free trade.

The Shipping Act permits the sort of ring-pricing prohibited in any other sphere of American business, but lays down some ground rules for shipping cartels.

Section 15 of this Act says joint services are not allowed unless specifically approved by the FMC.

Some years ago, Shaw Savill and Bank Line formed a company known as Bank and Saville Line.

The FMC began inquiring whether Bank and Savill was a single company, or a paper company set up to circumvent the ban on joint services.

It gave Bank and Savill temporary permission to operate while the question was sorted out.

But the FMC has refused to allow the Shipping Corporation to operate until the Bank and Savill question has been resolved.

The FMC hearings have been going on for three years. No speedy conclusion is expected.

The Meat Board banned Belgian and Australian-owned ABC Containerlines from this meat trade on the grounds that the trade was overtonnaged and ABC would take cargo and profits from the existing cartel. It then gave part of the trade to the Shipping Corporation.

The American decision bars the New Zealand shipping line and hands the trade back to the foreign-owned cartel.

Meanwhile, American-owned Ace Line is suing members of the same cartel for conspiring to restrain trade and bar Ace from the trade.

The case comes under the Sherman Anti-trust Act, and is being pursued by the Department of Justice.

Ace Lines entered the Australia New Zealand-United States trade as a non-conference carrier offering freight rates far below those charged by the cartel.

The Meat and Wool Boards told exporters they may not ship with Ace.

Ace became involved with the cartel in a freight-rate-cutting war that slashed some rates to the United States in half. Then Ace left the New Zealand trade.

Ace first went to the FMC to complain about allegedly illegal cartelling and predatory pricing with little result.

The Justice Department's anti-trust division was more receptive. But when the Justice Department began trying to subpoena New Zealanders to testify, the New Zealand Government passed hasty legislation prohibiting our citizens from giving evidence.

But for testimony, the Justice Department could turn to any of the shipping companies, all of whom had offices in the United States.

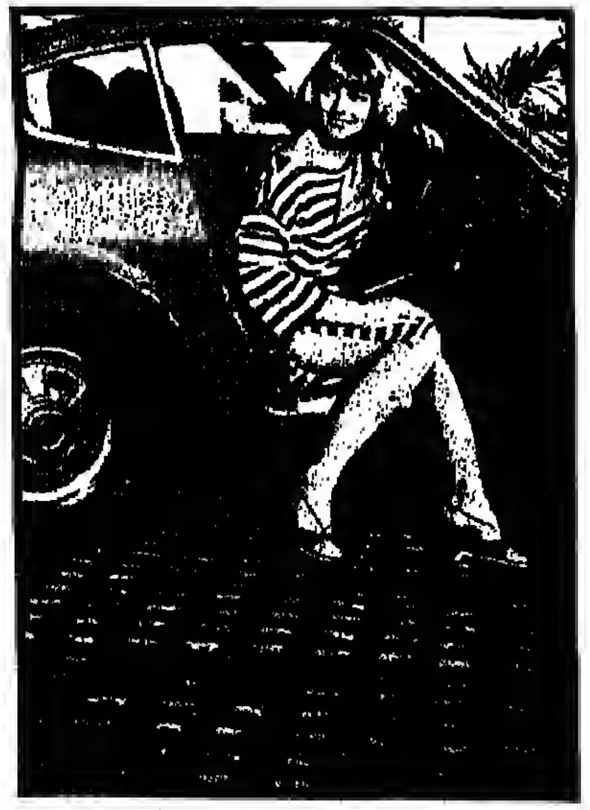
Ace's allegations are against Seaboard Shipping Company, Pacific Australia Direct Line, Associated Container Transportation (ACT), Farrell Lines, and Columbus Lines.

Ace's allegations against the shipping cartel are:

- That Ace chartered space on timber ships owned by Seaboard to carry cargo at below cartel rates between North America and New Zealand and Australia;
- That the cartel members invited Ace to join their price-fixing ring in 1977 but Ace refused and continued to act as a non-conference carrier offering below-cartel rates;
- That "the conference defendants in bad faith sham activity designed to directly interfere with the business relationships of its competitor, Ace, persuaded and coerced the Australian Meat Board and the New Zealand Wool Board to exclude Ace as an authorised shipping company and bar the shipment of meat or wool from Australia and New Zealand, respectively, by Ace."
- That in 1977 Seaboard entered into a charter agreement with Pacific Australia Direct Line, the terms of which demanded that Seaboard refuse to make wholesale space available to Ace. This move, Ace alleges, amounted to an illegal restraint of trade — a conspiracy between Seaboard and PAD to monopolise the trade.
- That Ace, after chartering its own ships in 1977, was pushed out of the New Zealand trade by predatory pricing by the defendants;
- That the defendants coerced and intimidated Ace's clients into terminating their dealings with Ace, by telling these clients Ace was going bankrupt, telling clients the cartel members would no longer carry their cargo unless they stopped shipping with Ace, and by threatening Ace's clients with legal action if they continued to deal with Ace;
- That Alex Harvey Industries was told by Farrell Lines that the shipping cartel would refuse to buy containers made by AHI subsidiary, George and Ashton, if AHI continued to ship with Ace. And that Farrell offered to buy $6 million worth of containers from AHI if AHI broke its six-month shipping contract with Ace.

Ace is asking for treble damages against all defendants and a court order forcing Seaboard to make space available to Ace on the terms and conditions as existed before 1977.

The defendants are fighting back. The court battles promise to be both long and expensive.



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*Oil exploration*

## Licences known soon

**by Rae Mazengarb**

THE successful applicants for the 30 petroleum licence blocks available for off-shore exploration are expected to be announced in a fortnight.

Some 60 companies are competing for the blocks which were advertised worldwide late last year, and energy officials say competition for the most attractive of the prospecting areas is particularly intense.

A Ministry of Energy official said last week announcements could be made before the middle of the month.

He would not say if all the areas were likely to be granted.

Nor would he say how many New Zealand companies or consortiums had applied for areas, or if it were likely that local companies would be successful in their bids.

But there are indications that the Shell-BP-Todd consortium is confident of winning a share in the oil exploration blocks.

The incorporation of Todd Egmont Oil Ltd — a $20,000 capital subsidiary of Todd Petroleum Mining Ltd — was gazetted recently.

Todd Petroleum manager Ron King said last week there was nothing of great interest about the company's formation. It was simply a mining company, he said, and it was easier to have a separate company for each mining area.

"We have about a dozen companies ... It's convenient for each company to hold an interest in a licence," he said.

Todd Egmont Oil will be the firm which will hold a share of the licence, if the Shell-BP-Todd Group is successful in its application.

It is understood the other companies will use existing exploration arms for their involvement.

## Exchange rates

AS at April 30, NZ dollar sells at:

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|---|---|
| Britain | .4169 |
| US | .8938 |
| Canada | 1.0710 |
| Australia | .7783 |
| Fiji | .7395 |
| Austria | 13.88 |
| Belgium | 31.96 |
| China | 1.5023 |
| Denmark | 6.198 |
| France | 4.6560 |
| Greece | 47.42 |
| Hong Kong | 4.7765 |
| India | 7.3430 |
| Ireland | .5565 |
| Italy | 976.57 |
| Japan | 190.95 |
| Malaysia | 2.0445 |
| Netherlands | 2.1844 |
| New Caledonia and Tahiti | [illegible] |
| Norway | [illegible] |
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*Finance*

# Better deal, more information for investors

**by Klaus Sorensen**

IMPORTANT new changes to the Stock Exchange listing requirements add up to a better deal for investors — even though they may tend to cramp the style of some directors.

If approved, the new listing rules will require shareholder consent for any share issue greater than 5 per cent of the capital of a company — but the principle behind the move has remained unchanged.

In a covering letter to all listed companies, Stock Exchange Association executive director Earle Stewart says "the listing manual details the requirements for Stock Exchange listing but it must be appreciated that it is an expression of the principles that listed companies accept as prerequisites to an orderly and informed market in their securities".

The Exchange is recommending a widespread set of alterations to companies' articles of association — to comply for listing.

These include disclosure of the directors' and major shareholders' annual report, an increase in the minimum holding from $50 to $100, a lowering of the threshold of disclosure of identity of beneficial interest from 10 per cent to 5 per cent, and implementation of the exchange's full takeover code.

But the new rules concerning change of control, and alteration of issued capital, are the ones which will cause flutterings in the business dovecotes.

The manual says the change of control requirement is "designed to avoid changes of effective control of a listed company without shareholders' volition or consent.

"Issues in contravention of this requirement will be regarded as grounds for the exchange to consider suspension of quotation or removal from the list."

The limitation does not include pro-rata issues, or issues as part of a takeover.

The requirements would prevent share swaps without shareholder approval and share issues "that would change the effective control of the company".

"Effective control is regarded as possibly being effected by an issue in which any one beneficial interest acquires 10 per cent or more of the voting capital. Unless an issue having this effect is to be authorised by a general meeting it is to be referred before finalisation, on a confidential basis to the executive director for a ruling on its compliance with this paragraph."

The association's definition of one beneficial interest is the combined holdings of "a man and his wife and his family trusts where either is a trustee and minor children and companies, in which the voting power is controlled by any of the above ..."

But that's not all.

Five pages on, comes the crunch.

"Nothing shall prevent the directors from allotting such classes of capital to the vendors of services or assets (other than cash) being purchased by the company or by a wholly owned subsidiary, in payment or part payment of the purchase price of such assets, but any such issue which would effectively change the control of the company shall be made only with the prior approval of the specific proposal by a general meeting."

But while the manual defines effective control at the 10 per cent level earlier on, the alteration of issued capital clause goes further;

"Where an issue of any equity security, including securities with rights of conversion to equity, is made other than (a) with the prior approval of the company in general meeting or (b) to the existing members pro rata or (c) pursuant to a takeover offer, such an issue shall not, when aggregated with the nominal value of other securities of the same class similarly issued during the previous 12 months, exceed 5 per cent of the nominal value of that same class on issue at the commencement of that period of 12 months."

So, not only does the exchange want to limit share issues made without shareholder sanction to less than 5 per cent, but the aggregation aspect of the latter clause would effectively limit directors to one issue of shares (of less than 5 per cent without shareholder approval) in any 12-month period.

A note to the requirement says "any shareholders' resolution placing defined equity securities at the disposal of directors is to contain specific directions at least as to the purpose of the issue.

"Where the resolution does not specify the timing and price of the issue the company is to advise the exchange for publication of those details not later than at the time of firm commitment.

"The text of each proposed shareholder's resolution conveying direction as to an issue is to be submitted before publication on a confidential basis to the exchange for consideration of its compliance with the interpretation of this listing requirement."

The other major implementation is the lowering of the threshold for disclosure of beneficial interest from 10 per cent to 5 per cent (in line with the association's submissions to the Securities Commission).

This also ties in with a redefinition of the term "public shareholding" as less than 5 per cent (previously 10 per cent).

The transfers of shares clause says the company's articles of association shall not provide for any restriction on the right to transfer shares, except in relation to purchases by overseas companies which would cause the proportion of overseas ownership to exceed 80 per cent.

The directors would be empowered to require a statement of residence in a case where overseas shareholdings might rise above 80 per cent resulting in the company being classified as "overseas".

As for disclosure of beneficial interest, the manual says the company's articles of association should allow directors to inquire as to total beneficial holdings where transfers to the same transferee are lodged within a 12-month period, and aggregate 1 per cent or more of the issued capital of the relevant class.

Once the total beneficial holding reaches 5 per cent, the directors can require disclosure of the identity of the beneficial owner.

Other requirements the association hopes to introduce include stricter profit reporting procedures and a more flexible set of rules on share spreads to meet listing requirements.

The latter allows larger overseas companies to retain listing even though the local shareholding is small.

The minimum spread of shares requirements has been expanded to three parts.

The first is of at least 200 members of the public holding a minimum of $100,000 nominal value representing at least 25 per cent of the number of shares issued. The second is that at least 500 members must hold shares with a $1,250,000 nominal value representing at least 15 per cent of the number of shares issued.

But the third one gives the association a discretionary power, "provided that where there are at least 2000 members of the public holding a minimum of $3 million nominal value of shares, the executive may consider representations to grant listing upon a reduced percentage requirement".

The profit reporting will require a report to the association before the release of the annual report and accounts and not later than four months after the end of the financial year, and it must include a note to major changes to trends in the company's business, as well as minority interests, non-recurring (extraordinary) items, comparable figures, and a consolidated profit figure.

It all adds up to more information — as much of it as possible, and the listing manual's foreword makes the point that "the preservation of the rights of investors and the necessity for a flow of information, if the exchange is to operate an equitable and informed market, demand that the exchange establish standard requirements to be observed by every company with securities listed".

But just as importantly "the exchange ... has absolute discretion in administering the listing requirements, and in so doing looks to companies to comply with the spirit as well as the letter of those listing requirements".

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|---|---|---|---|
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| FOREIGN FUNDS Eurodollars % p.a. | 15.75 | 16.0875 | 15.875 |
| CURRENCY SETTLEMENTS US dollars (buy/sell) | Spot .[illegible] | 3 mth .[illegible] | 6 mth .8870/34 |

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*Finance*

# The business week

**APA Holdings Ltd:** unaudited net profit for six months to February 28 was $A609,000 (last year $A556,000). An interim dividend of 5.5 cents will be paid on July 3.

**Aurie Corporation Ltd:** net profit for the year ended February 28 was $466,118 (last year $234,230).

**Australian Consolidated Industries Ltd** offered $2 for **Woodland Ltd's** A and B shares.

**Autocrat Sanyo Holdings Ltd:** net profit for the year ended February 28 was $1,877,000 (last year $1,215,000). A final dividend of 10.5 per cent will be paid.

**Computer Consultants Ltd:** net profit for the year ended March 31 was $619,000 (last year $258,000).

**Dalgety NZ Ltd** sold its wines and spirits division, including **Phillips and Pike Ltd** and 75 per cent of **H W Moso Ltd**, to **Ballinn Industries Ltd.**

**Fletcher Challenge Ltd** showed a $55 million net profit in its first interim report. It includes six months profits for **Challenge**, $13.6 million, and nine months each for **Fletcher Holdings**, $16.8 million, and **Tasman Pulp and Paper**, $11.8 million.

**Fletcher Challenge** retreated from its abortive takeover bid for **Carter Holt Ltd**, selling its 23.6 per cent stake to **Alex Harvey Industries Ltd** for $18 million.

**Fruit Distributors Ltd:** net profit for the year ended December 31 was $59,920 (last year $265,064).

**Leyland Investments Ltd:** unaudited net profit for six months to March 31 was $54,376 (last year $48,823). An interim dividend of 5 per cent will be paid on May 31.

**MIM Holdings Ltd:** unaudited net profit for 40 weeks to April 5 was $A94,440,000 (last year $A172,784,000).

**Phillips and Impey Ltd:** unaudited net profit for six months to February 28 was $1,069,000 (last year $526,000). An interim dividend of 3¾ cents will be paid on June 2.

The examiner of commercial practices approved the **Quill Morris-Fletcher Humphreys** merger.

**Wilson Distillers Ltd** will sell its whiskey assets and business to **Seagrams (NZ) Ltd** and **Greggs Ltd** is offering $1.50 a share for the 51 per cent of Wilsons it does not already own.

# Economic Indicators

EXPORTS rising faster than imports boosted the crude trade balance in March to $134.9 million up from $75.7 million in March 1980. Traditional exports plus higher aluminium sales lifted the March total to $665.6 million ($527.7 million) while imports rose from $452.1 million to $530.7 million.

ADULT wage and salary rates rose 18.4 per cent between the March quarters 1980 and 1981. Private sector rates rose 17.3 per cent and Government sector 21 per cent.

RETAIL sales in February rose 10.6 per cent on February 1980 and after seasonal adjustments were up 16.7 per cent. A 3.8 per cent advance in January was also recorded. Hardware and building materials showed the strongest growth followed by medicine and toiletries, footwear and household appliances. General department and furniture lost ground on a seasonally adjusted basis.

CONSUMER price index rose 3.1 per cent in the March quarter over the December quarter and in the year ended March 31 by 15.2 per cent. Transportation, food and housing were the largest contributors to the rise. The annual rate is down on that for the year to December, which was 16.1 per cent.

DIVORCES are increasing. In 1980, 7426 were filed (6860 in 1979) and 6515 (6270) decrees nisi and 6493 (6101) decrees absolute were granted.

EIGHT overseas companies were among the new registrations totalling 740 in March. In 1980 the figures were one and 600. Receivers were appointed to 36 companies (18) and [illegible] (18) ceased business. Two hundred and fifty five (345) were dissolved either by liquidation or by being struck off including three overseas companies [illegible]. Courts wound up 43 companies (28) and 37 (58) went into voluntary liquidation. [illegible] hundred companies increased their nominal share capital (210) while one company decreased its capital (nil). At March 31 there were 115,[illegible] companies registered (112,[illegible]) including 688 overseas companies (665).

# East European growth down

ECONOMIC activity fell short of national plans in the Soviet Union and its East European neighbours in 1980 with Poland showing the worst economic performance of the region, according to the United Nations Economic Commission for Europe (ECE).

In its *Economic Survey of Europe in 1980*, the ECE said that 1980 growth in output (in terms of net material product) for Eastern Europe as a whole was 3 per cent — up 0.6 per cent from the 1979 rate, but not as high as the 4.1 per cent rate of growth planned for 1980.

Excluding the Soviet Union the survey says that national output in the East European countries rose by an aggregate 1.1 per cent in 1980 — 1.2 per cent lower than the growth rate recorded in 1979 and some 3 per cent lower than the 4.2 per cent target for 1980.


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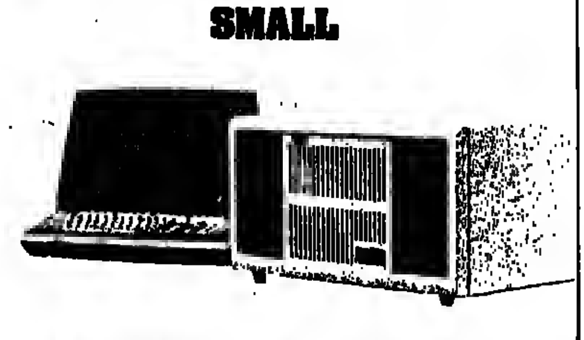

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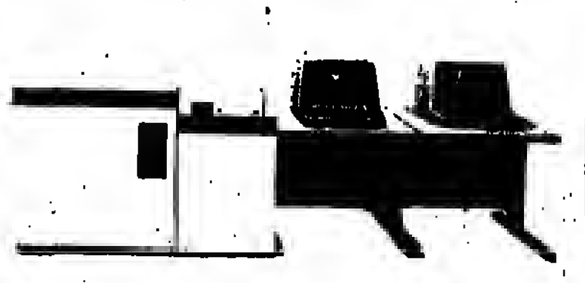

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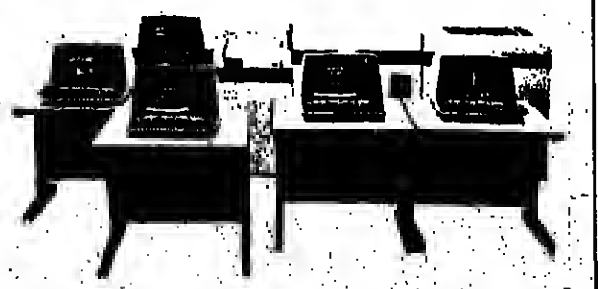

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# Stock Exchange weekly review

FOR WEEK FRIDAY APRIL 24 TO THURSDAY APRIL 30

| | Last sale | Week's high | Week's low | Turnover |
|---|---|---|---|---|
| ACFIL | 197 | ... | ... | 0 |
| A,I,SCAK,50C | 125 | 125 | 125 | 100 |
| 7.1% PR | ... | ... | ... | 0 |
| 6% PR | ... | ... | ... | 0 |
| AJAY B.N.N. | 320 | ... | ... | 0 |
| ALCAN,50C | 228 | 230 | 228 | 17800 |
| A.N.I. | 250 | 265 | 245 | 30100 |
| ALLIANCE,10C | 113 | 114 | 111 | 40100 |
| 12% CONV PR | 95 | 100 | 95 | 3900 |
| ALLIEX | 115 | 115 | 115 | 12300 |
| ALLIED FARMERS | 350 | 350 | 345 | 11700 |
| 17% CONV PP | 360 | ... | ... | 0 |
| ALLOY STEEL | 210 | ... | ... | 0 |
| A.N.BISLEY, 50C | 335 | 345 | 320 | 12200 |
| APPOL REY.,50C | 264 | ... | ... | 0 |
| CON PR | 225 | ... | ... | 0 |
| A.BEAVEN | 152 | 153 | 148 | 33400 |
| 11.5% CONV PR | 150 | 150 | 150 | 2900 |
| ANDAS GROUP | 140 | 145 | 140 | 10400 |
| 5-6.5% PP | 42 | ... | ... | 0 |
| 12% CONV PP | 120 | 120 | 120 | 800 |
| ANZ BANKING GROUP | 505 | 306 | 300 | 54200 |
| A.WRIGHT | 350 | 350 | 350 | 200 |
| "A" 6-7.5% PR | 80 | ... | ... | 0 |
| "B" 5-6% PR | 60 | ... | ... | 0 |
| A.BARNETT | 255 | 255 | 255 | 1300 |
| A.ELLIE | 40 | 53 | 40 | 41800 |
| AINEY OFRGH | 300 | ... | ... | 0 |
| A.E.CARLIS | 280 | 280 | 270 | 15100 |
| AILAI, 50C | 45 | 40 | 34 | 258900 |


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*Wine*

# Tariff quota replaces wine import licensing

by Warren Berryman

THE Government's recently-released plan for the New Zealand wine industry centres on tariff quota protection to replace import licences.

Last year's basic impon llcences for wine were worth about $6 million, and imports represented about 5 per cent of the local market.

This year's Import llcensing schedule allowed for a 25 per cent increase, bringing the allocation to $7.5 million.

The wine industry scheme announced by Trade and Industry Miniater Lance Adams-Schneider glves existing import licence holders a quota of $8 million and an additional $2 million quota for wine resellera and other outlets not currently holding import llcences.

The measures will also affect EEC imports.

The new tariff structure is:

- All imported wines costing less than $2 FOB (in the country of origin) fall outside the quota. These wines will attract a $4.50 a litre duty plus 20 per cent normal duty (10 per cent for Australia).
- All imported wines costing $2 a litre and above imported within the quota attract a duty of 85 cents a litre plus 20 per cent normal duty (10 per cent for Australian winea).
- All imported wines brought in outside the quota costing more than $2 attract a $2.85 duty plus 20 per cent normal duty (10 per cent Australlan).

Importers are free to bring In wine outslde the quota, provided they can pay these hlgh dutles and still sell the wlne.

The IDC recommended the cut-off point be made at $1 FOB.

The average FOB price of imported wine is now $2.42. This average includes the high-priced Chateaus and Champagnes.

An estimated 75 per cent of the wine we import costs less than $2 FOB.

Adams-Schnelder equated "cheap" with low quality.

Mateus Rose, a New Zealand favourite, costs $1.25 a bottle FOB. It now sells for $4.74. Under the new regime lt will sell for $11.22.

A bottle of wlne bought by an importer in Europe for $1 will attract duties and markups as follows:

| | |
|---|---|
| Importers FOB prlce | $1.00 |
| Freight to N Z | $0.47 |
| Duty at $4.50 per litre on 750ml bottle | $3.38 |
| Plus 20 per cent | $0.20 |
| Landed prlce | $5.05 |
| Plus 20 per cent markup | $1.01 |
| Hotel prlce without wine tax | $6.06 |
| Wine tax at 50c a litre | $0.38 |
| Plus 20 per cent markup on hotel price plus tax | $1.29 |
| Private trade price | $7.73 |
| Plus 12 per cent markup | $0.92 |
| Wlne reseller's price | $8.65 |

If the importer got the European winemaker to double the price of wine to $2 New Zealand speods double the amount of foreign exchange. But the duty rate falls from $4.50 a lltre to $0.85 a litre.

By paying double the price for the wine, the importer can land the wine at $2.72 veraus the londed cost of $5.05 for wine bought at half the prlce.

While the $1 litre of wine goes on the retail shelf for $8.65, the $2 wine goes to the shelf for only $6.49.

The importer might ask the foreign winemaker to load an extra dollar on the price of the wine for duty purposes and put the dollar away for him in a foreign bank account pending his next tour of Europe.

By changing the IDC's cut-off point of $1 to $2, the Government effectively stifles the IDC's desire for competition.

Wine Institute director Terry Dunleavy said he anticipated wine impons to increase by [illegible] per cent In volume terms under the new regime.

Economic and liquor industry sources, in contrast, said they expect wioe imports to decline by at least 25 per cent.

Some Industry sources feel New Zealand wines are so high priced for the quality offered to export. Our biggest potential market, Australia, has good wine aelling for quarter to half the price of New Zealand wines.

Contract-grown grapes cost the winemaker about $[illegible] a tonne here, compared with the Australian price of $[illegible] a tonne.

Prime grape growing land in Coonerwatta, Australia, sells for $1000 an acre. Gisborne land sells for up to $7000 an acre.

The Government made one concession to consumers by changing the sales tax to a wine tax of $0.50 a litre. The sales tax was levied on the wine, carton, cork, seal, transport, and markups. The wine tax is a flat rate on tbe wine.

Thus expensive wines will attract the same tax as cheap wincs. A bottle of wine costing $3 ex-wincty previously cost the consumer $5.95.

Undcr tbe new system, it will retail for $5.47. A $2 ex-winery wine wlll move from $3.95 to $3.81.

If the IDC recommendations had bceo adopted, these average-cost wines would have been reduced in price by $1 to $1.50.

A major alm of the IDC rcport was to contain costs in the distributlon system, which accounted for 47 per cent of the retail price. To do this, the IDC recommended breaking up what lt called "[illegible] cartellsed group [illegible] by thelr oligopolistic [illegible] on the market", by [illegible] supermarkets, wine [illegible] and major [illegible] pete.

The Government [illegible] the IDC's recommendation [illegible] supermarkets but did [illegible] a small quota for wine [illegible]

This quota is to be spread over a large number of resellers allocated [illegible] tion of turnover. [illegible] reseller will only [illegible] small quota.





*Inflation*

# Little short-term joy from projects, says report

by Klaus Sorensen

THE much-vaunted benefits of the country's resource development projects to local industry may have been overestimated.

The Planning Council's economic monitoring group says in its latest report that the imported content of the major projects may be as high as 60 per cent and warns that there is little reason to expect much investment growth outside the major projects in 1981/82.

The monitoring group also believes that the 1981/82 financial year will see only a temporary slowing of inflation, as well as a deterioration of the balance of payments and rising unemployment.

The group has consulted several forecasts for the immediate future including those of the NZIER, and while it has not attempted to produce its own forecasts, "it has nevertheless formed the opinion that 1981/82 is likely to see some improvement on last year's slow growth, but only a small and temporary slowing down of inflation, as well as a deterioration in the balance of payments and rising unemployment".

It concludes from this that "while medium-term prospects are brighter, their achievement requires careful management now".

The forecasts indicate a stimulus to domestic production and spending from both export prices and volumes, but "the group is concerned by cross currents in international indicators and by recent downward revisions in the expected improvement of wool prices".

"A feature of the forecasts is that, for the first time since the early 1970s they include an expectation of a faster growth in private investment than in consumption spending.

"This is due partly to an expected revival of residential building arising from a change in migration flows and, as this depends on the relative levels of activity in Australia and New Zealand, the group is less confident than the forecasters."

The other main element in the forecasts is the impact of the major projects such as expansion of the *Marsden Point* oil refinery and the Tiwai Point aluminium smelter, as well as early phases of the petrochemical and ammonia urea projects.

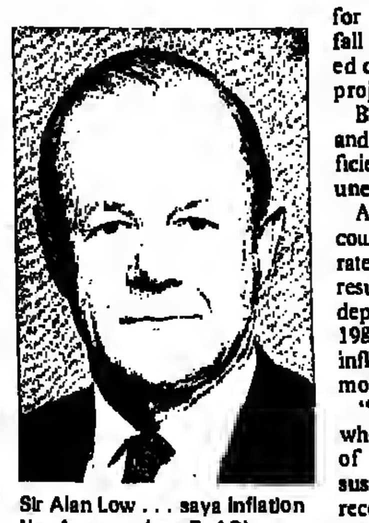
In spite of the delays, which it says are characteristic of such large projects, the group "expects the level of investment in activities related to, but separate from, the main projects to occur a little earlier than is assumed in the forecasts".

"Even if the forecasts are right the expected growth of 2 to 3 per cent in real domestic demand in 1981/82 is low by historical standards, though higher than the average for the last five years.

"Moreover the import content of the major projects is high, reaching up to 60 per cent, so that the benefits to local industry during their construction are not enormous. There will be a stimulus to local construction firms and other servicing activities, but probably more so in 1982/83 than in 1981/82.

"Because many industries have surplus capacity, there is little reason on current trends to expect much investment growth outside the major projects, or much growth in private employment in 1981/82."

Domestic spending will be stimulated by farm and business income growth and "in the absence of significant policy changes, there is likely to be another substantial increase in salaries and wages".



Sir Alan Low . . . says inflation No. 1 enemy (see P. 18)

Consumption spending will grow more rapidly in 1981/82, unless saving is made more attractive, and the group is also picking an increase in imports for 1981/82 (there was a sharp fall in 1980/81) due to increased domestic demand and major project import requirements.

But the recovery of demand and production will not be sufficient to prevent an increase in unemployment.

And as for inflation, "there could be a slight decline in the rate of inflation in 1981/82 as a result of the lagged effects of depressed aggregate demand in 1981 and of an easing of world inflation, especially a more moderate increase in oil prices.

"However, it is doubtful whether the decline in the rate of inflation will be self-sustaining and the expected recovery of demand and increase in wage rates can be expected to produce a return to higher rates of inflation in 1982/83."

In spite of the prospect of a modest recovery of growth for the forthcoming year the group does not believe existing policies will return the country to adequate longer-term growth.

"Because of the already high level of unemployment and the outlook for 1981/82, a policy of simply contracting demand to reduce inflation is not adequate and a reliance on contraction of incomes and demand alone would require an unacceptably severe deflation merely to reduce the inflation level to that of our trading partners.

"A combination of policies is needed to tackle inflation and unemployment, while being consistent with a manageable balance of payments position and an improved growth record. If we do not adopt appropriate policies now we will be less likely to make the most of the medium-term opportunities available to us."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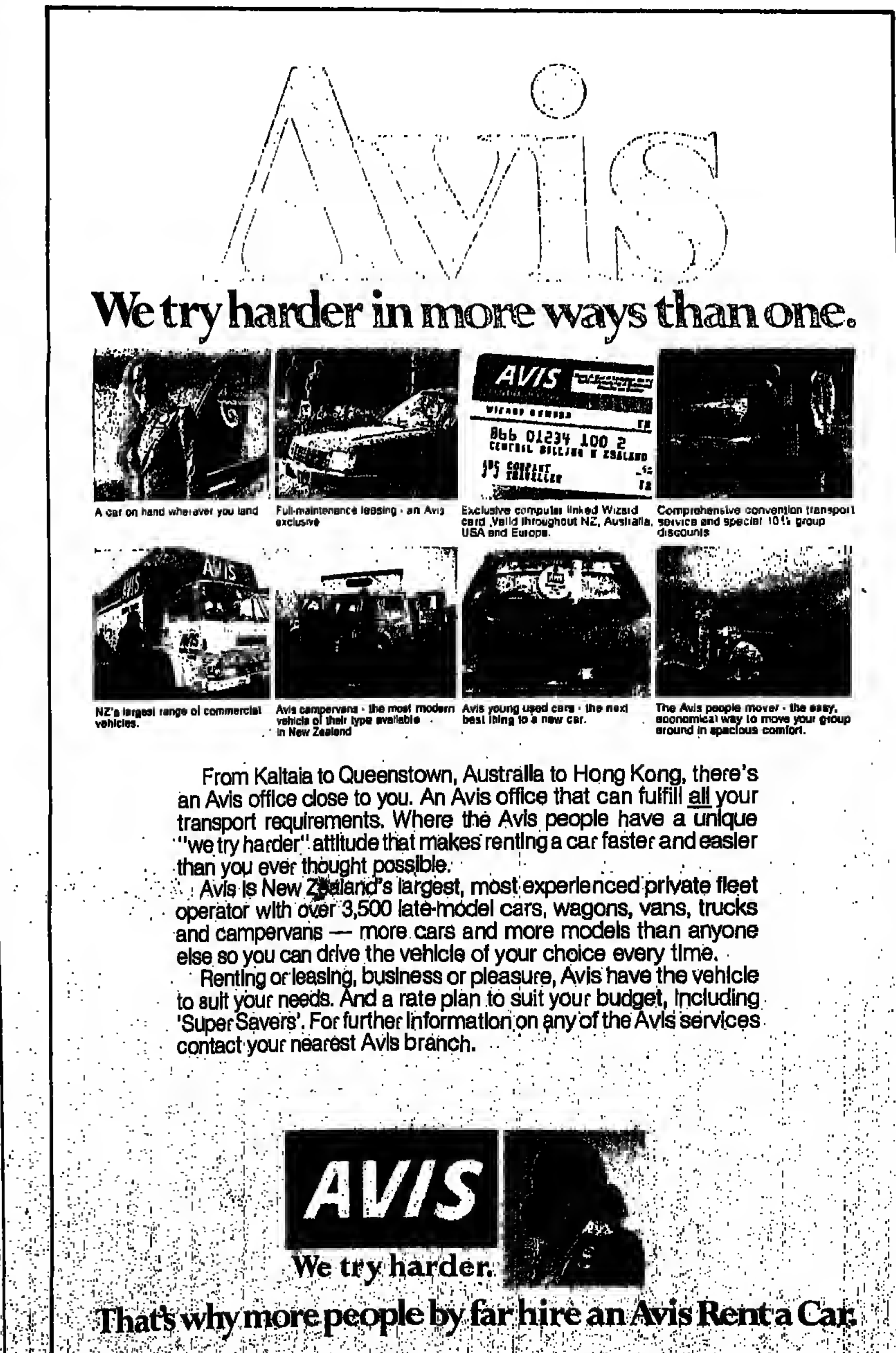


*Inflation*

# We can't just live with inflation, report insists

by Klaus Sorensen

THE Planning Council's economic monitoring group has taken issue with some elements in the Government who believe we should learn to live with inflation.

The group's fourth major economic report makes several references to tolerance of inflation in Government quarters, though it is careful not to sound overtly critical of Government policy.

The monitoring group makes it plain it regards inflation as the country's number one problem — and *NBR* understands that the Planning Council and its monitoring group, as well as other economic watchdogs such as the Institute for Economic Research, are seriously concerned at suggestions that the Government may be prepared to live with high inflation.

The group's acting chairman, Sir Alan Low, makes several references to this question in the report.

In his introductory letter to council chairman Sir Frank Holmes, Low says that in addition to the usual review of recent developments and short-term prospects, as well as policy recommendations, the group has devoted special attention to the question of inflation.

He says "we see no basis for relaxing the country's fight against inflation, yet there are signs that some people are becoming complacent about it and are content to live with it rather than face up to doing the things needed to eliminate it".

The report comments: "There is a widespread feeling that Government actions, although not its pronouncements, show that it considers that we can adapt to inflation rather than tackle it." The group believes there are no grounds for relaxing opposition to inflation, "and thinks it important that these impressions be corrected".

The group makes a number of recommendations, though two of the most important are the suggestion that a wage-tax trade off be implemented to reduce inflation and increase investment, and also that the relationship between inflation and investment returns should be reconsidered.

As well, the group suggests an inflation rate target of 10 per cent should be achieved within the next two years, that Government stock interest rates should be increased to help finance the Budget deficit, and that current cost accounting should be introduced for company tax purposes.

The group says it has changed its thinking on the effects of inflation since the Monetary and Economic Council's report on inflation in late 1977.

At that time the MEC emphasised two themes: the way inflation boosted prices and led to an unintended income redistribution, and the possibility that the economy would suffer from measures taken to restrain inflation.

But the council saw little direct connection between inflation and investment trends, or between inflation and economic growth, though it did observe that continuing inflation in the face of depressed demand would eventually prejudice investment generally.

"But some significant changes have occurred, both in the economy and in judgments about the relative importance of individual trends," the report says.

Widespread "informal" indexation has built up through the flexible exchange rate which lessens the cost-squeeze on farmers and other exporters, export incentives and investment allowances have relieved pressure on company income, and tax-free dividends have given investors some protection against the erosion of their real investment returns.

At the same time the efforts of unions and general wage orders have effectively indexed wage and salary rates before tax, to trends in prices.

But "far from countering inflation, indexation simply builds particular price shocks into a process of adaptation to it, a process which can be expected to be self-generating, since over-compensation to price increases, rather than under-compensation, is clearly in the interests of particular groups within the country".

But this informal indexation has also led to industrial relations difficulties. When prices and incomes are rising fast, "there is naturally great anxiety over delays and the possibility of "missing out".

The linking of wage rates to prices has been done in "an atmosphere of distrust and a selfish squabbling over the sharing of limited real income growth".

An important element in this is the way taxation increases more proportionately with income — with the result that resources increasingly move into the public sector — something which was recognised by the MEC.

But now, the monitoring group says the emphasis has again changed.

"Inflation itself now seems less important in this regard than independent decisions of Government. Government could have applied indexation to taxation scales but [illegible] chose to provide [illegible] payments at an enhanced [illegible] especially in the [illegible] superannuation scheme.

"It has been reluctant to [illegible] template any major revision [illegible] the tax base. Fiscal policy [illegible] therefore, been unable [illegible] counter the growth of [illegible] sumption relative to investment and the growth of [illegible] relative to incomes has fed [illegible] dustrial unrest," the group says.

"There has been no reason [illegible] revise the finding of the M[illegible] that an expectation of [illegible] tinued restraint on dem[illegible] discourages investment. [illegible] there have been indications [illegible] the direct connection betwe[illegible] inflation and investment [illegible] stronger than the coun[illegible] thought."

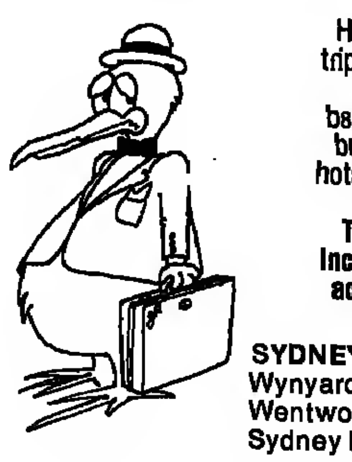
The group says inflation [illegible] creases uncertainty and [illegible] result is that potential inves[illegible] have to estimate both [illegible] and input prices in the fa[illegible] less secure profitability, [illegible] fact that in times of high [illegible] tion traditional accounting practices do not reflect [illegible] economic facts. The group [illegible] vocates the introduction of [illegible] rent cost accounting as [illegible] "highly desirable".

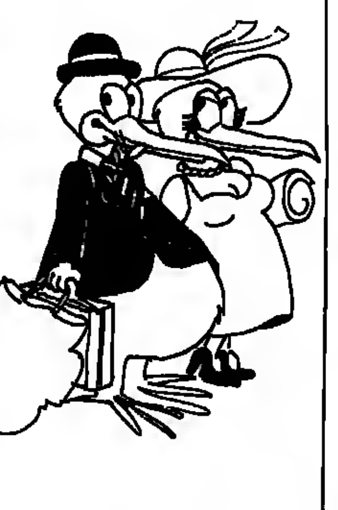
But increased uncert[illegible] also results in an unwilling[illegible] to enter into long-term [illegible] mitments. "This is detrime[illegible] to investment directly a[illegible] also results in resources [illegible] used inefficiently [illegible] reassessments are requ[illegible] more frequently."

While the financial sector [illegible] made some adjustments to [illegible] flation with greater vari[illegible] of interest rates, "a [illegible] response has been simply [illegible] make loans for short[illegible] periods".


# Quick!

# Who had the most successful Australian business trip?





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| | |
|---|---|
| Wynyard Travelodge | — 8 Days from $541 |
| Wentworth Hotel | — 8 Days from $564 |
| Sydney Hilton | — 8 Days from $838 |

**SYDNEY/KINGS CROSS — 8 DAYS FROM $592**
Staying at the Hyatt Kingsgate

**SYDNEY/NORTH SHORE — 8 DAYS FROM $552**
Staying at Camperdown or North Sydney Travelodges.

**SYDNEY & MELBOURNE — 8 DAYS FROM $711 (12 Days from $850, 16 Days from $990)**
Your choice of accommodation at either the Sydney/Melbourne Travelodges or, for extra, Sydney/Melbourne Hilton Hotels. Includes inter-city return air travel.

**SYDNEY, BRISBANE & SURFERS PARADISE — 12 DAYS FROM $739 (16 Days from $839)**
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*Business*

# Analysing annual accounts: NZ Light Leathers

by Klaus Sorensen

THE latest New Zealand Light Leathers annual report appropriately reflects the state of the company — hard up.

The report suffers from a definite lack of content, just like NZLL's shareholders funds.

The directors seem to have opted for an economical format — all 10 pages of it — presumably in the interests of saving what little money shareholders have left.

But on the other hand, the company's investors are probably so disenchanted with their investment at this stage that directors should do everything they can to encourage their shareholders to support the company.

The tannery looked like a promising investment in April 1973 when the company floated 1,500,000 one dollar ordinary shares to the public.

But the tale of woe which has accompanied almost every annual result since then is now a standing (sick?) joke in sharemarket.

The annual report for the year to December 31 1980 does little to overcome the poor reputation the company now has in the eyes of most investors — quite apart from the fact that it details NZLL's largest ever net loss of $1,997,706.

Considering the company's beleagured state chairman E J Hazlett could probably have run to more than his four-paragraph review of the 1980 year. It appears the company's directors have underestimated the shareholder's interest in the details of the company's operations.

Tanning animal pelts may not be one of the great glamour industries, but shareholders ought to be given a few more details on production, marketing and the state of the world pelt business.

Instead all they get is a reference to 1980 being "a disastrous year for the tanning industry world wide and the company was no exception...".

And "the loss is a direct result of the current world recession and the over priced pickled pelt market over the past 12 to 18 months."

And that's it.

Hazlett details the already announced recovery plan whereby NZLL will buy the Hastings tannery of Amalgamated Products Ltd (a Vestey subsidiary) in return for the issue of 3 million shares and $500,000 cash, converted to a five year loan.

The statement of income and accumulated losses shows a 54 per cent sales downturn in the year, from $7.8 million to $3.6 million, and a smaller 31 per cent fall in total expenses.

Operating expenses were down 35 per cent from $7.8 million to $5.1 million — but these are not detailed. The company should consider the approach of a number of other processors and manufacturers and break down operating expenses into categories such as labour, raw materials, and energy costs.

Depreciation was up from $163,208 to $171,673, while interest on fixed charges was down from $236,887 to $184,077 — though "other interest" increased from $328,543 to $414,913.

This reflects a change in the company's borrowing structure during the year. Total expenses were $5.8 million, leaving a net loss before tax of $2.2 million, compared with $670,213 in 1979.

However, an export incentive tax credit of $252,070 helped matters, though this item is well down on the incentive of $707,630 received by the company in 1979.

The net loss of $1.9 million compares with the 1979 profit of $37,417. Added to losses brought forward of $851,592 ($889,009), accumulated losses have increased from $851,592 to $2,849,298.

The balance sheet shows that the increase in accumulated losses has reduced total shareholders funds from $2,148,408 to a slender $150,702 — suggesting the restructuring involving the Vestey subsidiary has come not a minute too soon.

The balance sheet shows the company has reduced term liabilities but significantly increased current liabilities.

Term liabilities are down by $135,000 to $945,000 and the notes to the accounts show this consists of a term loan from the National Bank at a 15.5 per cent interest rate — repayable in equal annual instalments of $135,000 a year.

Current liabilities are up from $1.8 million to $3.9 million, with sundry creditors rising from $280,058 to $541,725, a bank overdraft (also from the National Bank) up from $228,187 to $1,742,519, the current portion of the bank term loan repayment of $135,000, and an increase in the offshore loan from $1,042,609 to $1,556,290.

The notes show this offshore loan, advanced by Marac, is secured by a second debenture over the company's assets.

Total current assets were relatively unchanged by December 31 1980 at $3,697,556 ($3,639,699), though inventories rose from $1,956,505 to $3,015,526 due mainly to an increase in finished goods from $950,566 to $1,457,041.

Work in progress also rose from $542,219 to $801,109 and raw materials were up from $412,948 to $699,758.

While inventories were up, accounts receivable and prepayments fell from $984,394 to $434,214. The export tax credit of $247,816 is also shown under current assets.

The notes explain that this is because companies in a loss situation are able to convert export sales tax incentives into a cash credit.

The notes also reveal that while the company has lost a total of $4.9 million so far, these losses are available as tax losses to be set off against future profits.

And it seems the company may even get the opportunity to use these tax losses — rather than continuing to add to them — because Hazlett believes 1981 will see a degree of recovery.

He says, "we believe the leather market has bottomed and subject to the introduction of new policies under the guidance of Gomshall Tanneries Ltd (Vestey's international tanning subsidiary) we feel that 1981 should see the establishment of a base on which the future of the company will be determined."

Shareholders can expect further news on the company's progress at tomorrow's annual meeting.

"Your boss brings me your wages every weekend and I got you a rise."


'It's a pity that boy of mine never heard of COWAN'S Fine Art Papers!'

Rembrandt's Mother, Etching.



# IT'S ALL IN THE NAME

"the process of growth" (Webster Thesaurus) "gradual unfolding: fuller working out" (Oxford Dictionary)

**Development**

*to encourage and promote investment in the industrial development of New Zealand…to participate in the establishment of new industries…or in the development or extension of any industry…where production from the industry is or will be of value to the economy generally…*
*— Development Finance Corporation Act 1973*

The growth of New Zealand's economy depends on resources for worthwhile business expansion and development. This contributes to improved living standards and quality of life for all New Zealanders.

"money as support for an undertaking" (Oxford Dictionary)

**Finance**

*to provide finance for the establishment of new industries…or for the development or extension of or assistance to any industry…and give particular attention to the needs of small and medium sized businesses*
*— Development Finance Corporation Act 1973*

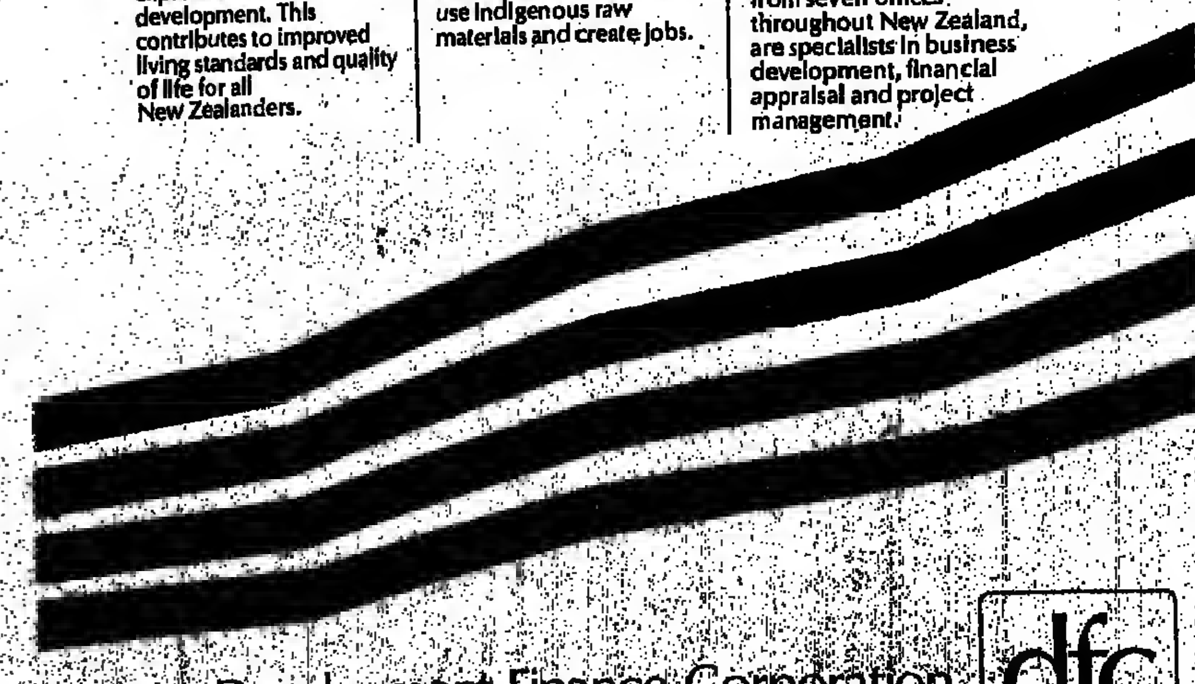
DFC provides finance for sound business proposals, especially those which will earn or save foreign exchange, contribute to regional development, improve productivity, involve new technologies, use indigenous raw materials and create jobs.

"group of people authorised to act as an individual, especially in business" (Oxford Dictionary)

**Corporation**

*…the Corporation shall evaluate each proposal after having regard to the economic worth of the industry concerned, its usefulness to the New Zealand economy, the extent to which it will be owned or effectively controlled by persons domiciled in New Zealand, and the prospects of its becoming profitable within a reasonable time…*
*— Development Finance Corporation Act 1973*

DFC's professional and advisory staff, working from seven offices throughout New Zealand, are specialists in business development, financial appraisal and project management.



Development Finance Corporation dfc
New Zealand's Development Bank
Offices at Auckland, Hamilton, Tauranga, Palmerston North, Wellington, Christchurch and Dunedin.

# Economist finds good oil on petrol-use restraint options facing NZ

**Economics writer**

THE Government plans to control fuel supplies with its Petroleum Demand Restraint Bill due before Parliament later this year. University of Waikato economist Warren Hughes discusses some of the implications of Government petrol policy in a timely article published in the latest issue of the New Zealand Institute of Economic Research's *Quarterly Predictions.*

International oil prices increased from about $US3 a barrel in 1973 to more than $US30 a barrel in 1981. This massive increase in oil prices over a short seven-year period has had a pervasive influence on our economy.

Oil imports costs have been a major contributor to our balance of payments deficit. In 1973, New Zealand's oil import bill for the calendar year was $114 million and represented just under 8 per cent of total import payments. By 1979, our oil imports had risen to $725 million, more than 17 per cent of import payments.

Pundits speculate that oil imports for 1981 will cost $1600 million this year, bringing them up to more than 60 per cent of our total import bill.

Crude oil imports go for a number of uses. But as Hughes points out, "petrol accounted for 48 per cent of total usage of petroleum-based fuels in 1979 and it follows that any attempt to moderate both the cost of fuel imports and the balance of payments deficit must aim initially at reducing petrol consumption."

Government policies to reduce petrol consumption include raising the price of petrol, direct controls on the level of petrol consumption (for example, rationing petrol) or restrictions on activities which involve petrol consumption (such as carless days did).

The effectiveness of each of these policies depends on the responsiveness of petrol consumption to the policy.

In *Petrol Consumption in New Zealand*, Hughes discusses the results of research attempting to estimate the actual response of petrol consumption to changing price and income levels and the implementation of direct controls in the form of weekend closing of petrol stations and carless days.

The graph relates petrol consumption to other trends such as an index measuring real income a head, the real petrol price (the price adjusted for inflation), the volume of petrol consumption in litres a head and the number of cars a head. Note that there is a different scale for each different aspect plotted in the graph.

As it illustrates, in the 20-year span 1954 to 1974 real income for each member on the population grew at a slower rate than petrol consumption. Over the same period, the price of petrol decreased in real terms.

After the 1973 oil crisis, the petrol price increased dramatically. The graph shows a sharp rise in the real petrol price after 1974, peaking in 1977. Both income per capita and petrol consumption declined somewhat after 1973, with petrol consumption picking up slightly after 1978.

Throughout the entire 25-year period pictured, 1954 to 1979, there was a rise in the number of cars per capita in this country. Overall, the growth rate of both petrol consumption and cars has outstripped the growth in real incomes.

This indicates that motoring for private or commercial use has been considered highly desirable by New Zealanders.

Hughes neglects to show what has been happening to motor vehicle prices over this period, which may help explain why private motoring is so desirable. It seems likely that relatively speaking, private motoring is becoming less expensive than other forms of transport such as rail and bus travel.

Hughes' evidence suggests that there is a direct relationship between income and petrol consumption and an inverse relationship between price and petrol consumption. But what are the effects of change in price and income on consumption?

The estimation of these effects requires calculation of the responsiveness of demand for petrol to price and income changes. Price elasticity of demand for a good is defined as the percentage change in quantity consumer divided by the percentage change in price.

Income elasticity is defined as the increase in petrol consumption for each change in income. Income elasticity of demand is normally positive, since an increase in income usually generates a rise in consumption levels, although some goods will show a greater rate of increase than others.

If reliable elasticity estimates could be found, then the Government could know the price rise necessary to achieve a given decline in petrol consumption.

Similarly, the effect on consumption of a rise in income can be estimated and, in the case of petrol, the resulting effects on oil imports and the balance of payments can be assessed.

Hughes' calculations show that in 1979 demand price elasticity for petrol was -0.13 (in the short run) and -0.17 (in the long run). These figures may not mean much to non-economists, but to the economists, these results classify petrol as a price "inelastic" good. In other words, the demand for petrol is not very responsive to changes in price.

For there to be a reduction of 10 per cent in our annual petrol consumption, there would have to be a real adjustment of 60 per cent in the price of petrol at the beginning of the year, all other things being equal.

Taking inflation into account, this means what we pay for petrol in money terms would have to rise by much more than 60 per cent before petrol consumption would fall 10 per cent.

Petrol consumption is not very responsive to income changes, either. Hughes found that in the short term, the income elasticity of demand for petrol is 0.56 and in the long-term, it is 0.79. Again these figures will not mean much to the non-economist. Interpreting them into layman's language, a 10 per cent rise in income will bring about a rise in annual petrol consumption of 7.8 per cent.

It did not take complicated calculations such as these to convince policy-makers that if they wanted to reduce petrol consumption quickly, it would be necessary to use direct controls rather than suffer the unpopularity which would surely come if they increased petrol prices by the massive amounts required before consumption would fall.

And these direct controls did work for a short time. Hughes found that weekend closings and carless days together reduced petrol consumption during 1979 by between 6 and 9 per cent over the period in which they operated. He also found that weekend closings appeared to be twice as effective as carless days in reducing petrol consumption.

But Hughes' evidence also suggested that with time, consumers here learned to circumvent direct controls. Public submissions on the Petroleum Demand Restraint Bill suggest this will be the case again.

Mos of the presentations before the Commerce and Energy Select Committee earlier in March this year were by groups pressing for special treatment under the bill.

Since direct controls will not be effective in the longer term, the price mechanism musr be used eventually to keep oil imports at a level which this country can afford.

Accordingly, in Hughes' view, Government policy should involve steady adjustment of the real petrol price to the level consistent with balance of payments objectives.

Should the Government wish to maintain the 1971/72 relationship between petrol consumption and the balance of payments, then the domestic price of petrol still has some way to go to catch up with the rise in the cost of imported oil.

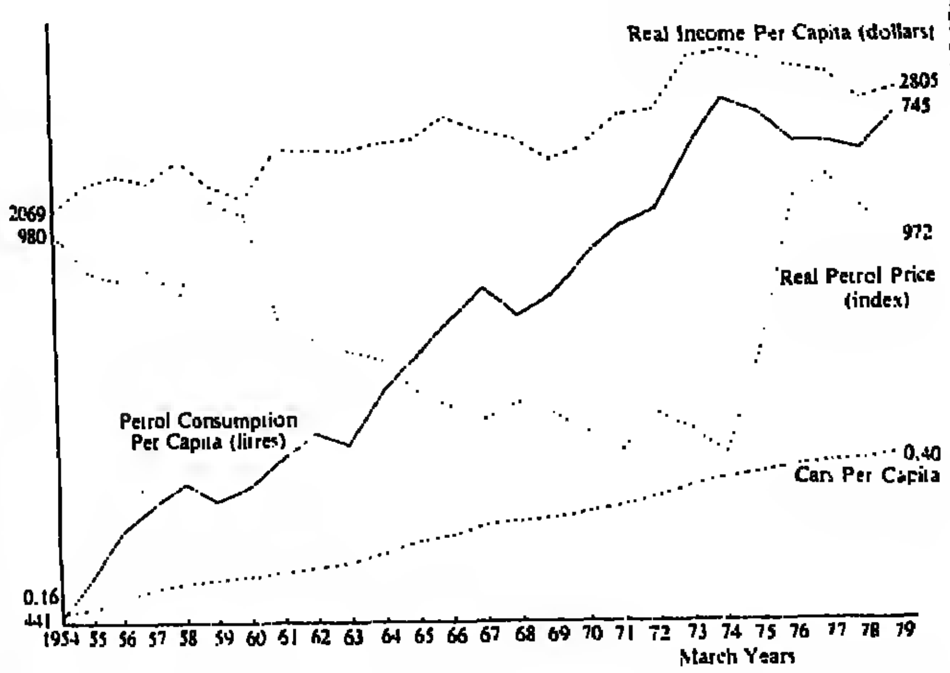
**ACTUAL AND PROJECTED PETROL CONSUMPTION FOR 1979**

| Quarters. | Quarterly Per Capita Petrol Consumption in Litres: 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| Actual | 192.278 | 176.982 | 165.965 | 185.788 |
| Model 1 | 189.865 | 187.705 | 181.064 | 194.767 |
| Percent difference | 1.27 | -5.71 | -8.34 | -4.61 |
| Model 2 | 189.441 | 186.374 | 182.950 | 194.990 |
| Percent difference | 1.50 | -5.04 | -9.28 | -4.72 |
| Model 3 | 189.912 | 186.616 | 180.222 | 194.622 |
| Percent difference | 1.25 | -5.16 | -7.91 | -4.54 |

Percent difference = 100 (Actual -- Projected)/Projected

*Source:* Reference (2)

**ANNUAL PETROL DATA, 1954 TO 1979**




## Supply-side aid policies

SUPPLY-side ecooomics, the dominant intellectual influence on the Reagan Administration's domestic economic policies, is finding its way into Washington discussions of foreign aid and economic development.

A leading supply-side spokesman, republican Congressman Jack Kemp, urged at a House Appropriations Subcommittee hearing that the United States use its leverage to change "counter-productive" Government controls and tax policies in developing countries.

Kemp told Peter McPherson, administrator of the Agency for International Development, that studies should be made of such developing country policies.

Just as in the supply-side argument for lower tax rates in industrial countries like the United States, Kemp argued that developing countries should lower their rates to encourage more economic activity.

The exceptionally high tax rates in some countries result in massive tax evasion and effective taxation of only a small portion of the population, he argued.

Governments would be able to obtain needed revenues with lower rates, he suggested, because more people would be willing to participate in the tax system if the rates were lower.

Kemp also criticised the International Monetary Fund for imposing stringent fiscal requirements on developing countries as the condition for obtaining loans from the fund. IMF demands, he said, harmed developing country ecooomies by repressing economic activity.

He noted that the IMF insists it is alao pursuing "supply-side economics", but in fact, he argued, IMF policies did much to discourage production in the developing countries.

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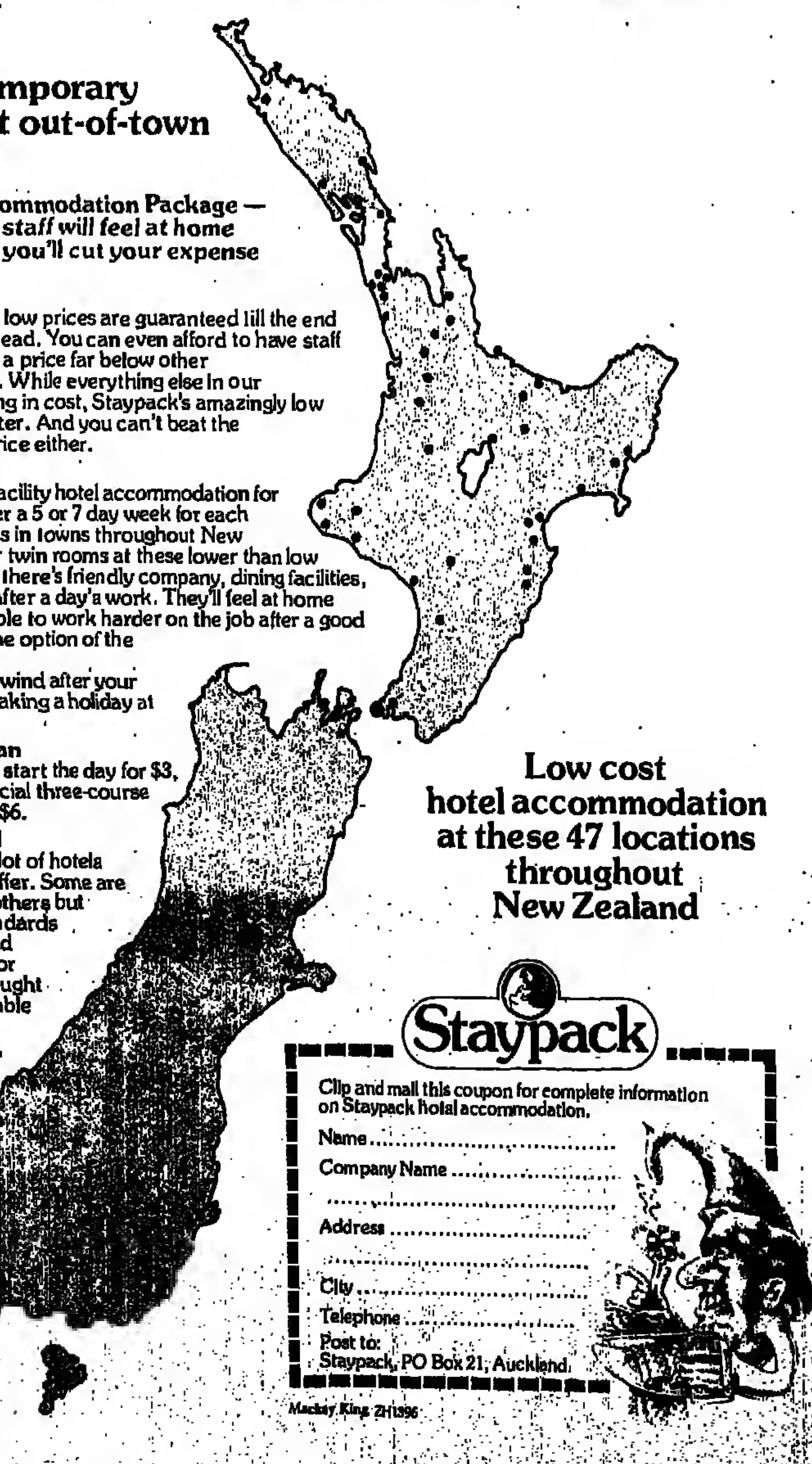
**$45 per week hotel accommodation**



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**The Staypack Deal**

Staypack offers non-facility hotel accommodation for only $45 per week for either a 5 or 7 day week for each person. There are 51 hotels in towns throughout New Zealand that offer single or twin rooms at these lower than low rates. Staff will stay where there's friendly company, dining facilities, and a cosy bar to relax in after a day's work. They'll feel at home away from home and be able to work harder on the job after a good night's reat. Plus, there's the option of the Staypack meal plan.

Of course you can unwind after your business is concluded by taking a holiday at the great Staypack rate.

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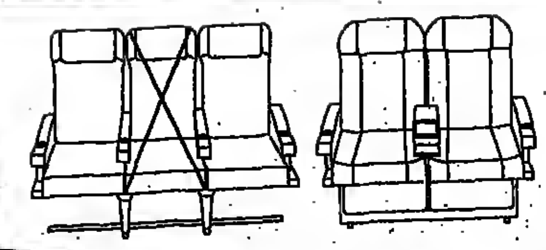

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# The Eric Sides case: the matters at issue

OVER the past couple of years, Eric Sides, of Christchurch, has become a household name as a result of his widely (if often simplistically and occasionally inaccurately) reported dispute with the Human Rights Commission.

That dispute was whether Sides, through his company, could use the phrase "keen Christian person" when advertising for a garage forecourt attendant without falling foul of the Human Rights Commission Act 1977.

The HRC did not think so. But, contrary to popular belief, the HRC does not have the last word on such things. The Act established an Equal Opportunities Tribunal, consisting of a senior lawyer as chairman and two persons selected by him from a panel appointed by the Minister of Justice, to rule on disputes not settled amicably by the HRC.

Early last month, the tribunal (the chairman, Auckland Queen's Counsel, John Wallace, together with former Abortion Supervisory Committee chairman Vivienne Boyd, and former Gear Meat Company general manager Laurie Cameron) upheld most of the arguments put forward by the HRC against both Sides' company and the companies publishing the two Christchurch newspapers which ran the advertisements in dispute.

The unsuccessful parties have 30 days from the date of the tribunal's decision to give notice of an appeal to the Administrative Division of the High Court (comprising a judge plus two other members of the panel appointed for the tribunal).

Two provisions in the Act were central in the proceedings before the Tribunal. The first, section 15(1), provides that: *It shall be unlawful for any person who is an employer .. (a) To refuse or omit to employ any person on work of any description which is available and for which that person is qualified .. by reason of the sex, marital status, or religious or ethical belief of that person.* (NB The Act defines "ethical belief" as "the absence of a religious belief whether in respect of a particular religion or religions or all religions".)

The second provision, section 32(1), provides that: *It shall be unlawful for any person to publish or display, or to cause or allow to be displayed, any advertisement or notice which indicates or could reasonably be understood as indicating, an intention to commit a breach of any of the provisions of this Part of the Act.* (NB "This part of the Act" includes section 15(1).)

In the proceedings brought by the HRC against Sides' company (which are civil rather than criminal proceedings, again contrary to popular belief), the tribunal declined to find the company in breach of section 15.

The HRC called evidence from a young man who had rung Sides in response to the advertisements in dispute, been asked questions about both his work record and his religion and had been left with the impression that he was being refused an interview and that that was because he did not attend church regularly.

The tribunal accepted that the company, through Sides, had refused or omitted to employ the youngster but was left in some doubt as to whether the religious aspect had been a "substantial and operative factor (when compared with the youngster's rather unimpressive previous work record).

The tribunal gave the benefit of that doubt to Sides' company and found against the HRC on that point.

The tribunal did observe that Sides' line of questioning could reasonably be understood as indicating an intention to commit a breach of section 15 and was thus in breach of section 18 of the Act.

But, the HRC had not originally relied on section 18, the tribunal refused to allow a belated amendment to its pleadings at the hearing in Christchurch last December, and no remedy was granted in respect of it.

Most of the tribunal's 55-page decision (like the 4½-day hearing) was given over to a consideration of the advertisements and to whether they offended against section 32. A variety of defences was advanced but all failed.

One of the main defences advanced was that the word "Christian", as used in the advertisement, did not indicate a religious condition. It was submitted to the tribunal that the word merely meant a person of good qualities and living in a Christian country.

The tribunal did not find the evidence of a series of witnesses called by both sides, giving evidence as to what the word "Christian" meant to them, of great assistance.

It found safer ground in the standard dictionary definitions and the construction of the advertisements themselves: the word did indicate a preference related to religious or ethical belief.

Other defences rejected by the tribunal were that being a Christian was a qualification for work as a forecourt attendant at the Sides garage and that the job came within the Act's exemption for jobs having "the propagation of the faith" as their principal aim.

Both were undermined by the previous and subsequent employment of non-Christians on the job.

The newspaper companies contended quite vigorously for a further defence (under section 33) that they, as employers, had taken "such steps as were reasonably practicable" to prevent employees from doing acts which contravened the Act.

The HRC contended, with similar vigour, that the newspapers could not rely on that defence (because they were primarily liable rather than vicariously liable for the acts of their employees) and, in any event, had not taken such steps.

The tribunal agreed that the lack of instruction and guidance given to employees on the topic of discrimination on grounds of religious or ethical belief (particularly when contrasted with that given in respect of discrimination on the ground of sex) meant that the newspaper had not taken all reasonably practicable steps.

That enabled "the difficult preliminary question of primary or vicarious liability to be left to another day.

The remedies granted by the tribunal were: declarations that each of the three defendant companies had committed a breach of section 32; a restraining order preventing Sides' company from advertising in a similar manner in the future (the newspaper companies had indicated a firm intention to comply with the Act as finally interpreted); and an award of $2700 costs plus up to $150 travel and accommodation expenses to be paid equally by the defendants to the HRC (because the HRC had succeeded on most points and because the proceedings had been made inevitable by the earlier attitude of the defendants).

The tribunal's decision could not help but be controversial. As in most disputes where "freedoms" are said to be in jeopardy, there were in this case competing freedoms: that of expressing religious belief through a workplace; and that of being considered for a job opportunity on the basis of merit rather than on some criteria of birth or belief.

As the tribunal pointed out, the boundary between these two freedoms is that set out in the Human Rights Commission Act.

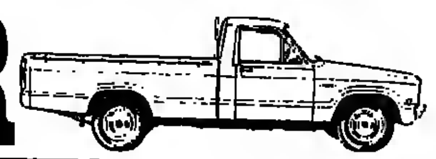
This latest decision should further encourage a move away from sniping at the HRC as a mindless bureaucracy towards the Act itself and any amendments which may be necessary.

The tribunal itself included a suggestion for amendment in its decision which may find favour in this election year: an exemption for small employers. There is already an exemption from the Act for partnerships of fewer than six persons in relation to the admission of further partners.

An exemption for employers with fewer than six employees might overcome some of the sincerely held objections to the Act without undermining its objectives.

Watch election manifestos closely.

New FORD COURIER

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# Psychologist queries consumer behaviour theories

by Rae Mazengarb

THE quantity of market research carried out in this country has at least doubled every three years during the last 15 years — or an increase of 1000 per cent — according to one market expert.

But there is an increasing school of thought that the quality of market research — what we measure, and the use to which the information is put — is seriously deficient.

Speakers at the third national conference of the New Zealand Market Research Society, to be held at Massey University later this month, are expected to pay particular attention to this problem.

At the three day market research conference from May 27 to 29, some of the country's leading researchers and marketers will combine their thoughts in the area of consumer behaviour research and its application to marketing problems.

Leading the assault will be British psychologist and researcher Mary Tuck, who has already publicly challenged a number of accepted theories about consumer behaviour.

After graduating from Oxford with a first class degree in English language and literature, Tuck went on to complete a degree in psychology at the London School of Economics.

She then worked for a time in advertising before becoming a market research consultant with several major market research companies.

She is now a principal research executive with the Home Office, where some of her current interests centre on aspects of alcohol consumption patterns and crime prevention publicity.

She has been a teaching fellow at the Cranfield School of management and is on the academic standards committee of the Market Research Society in Britain. She has published many articles on consumer behaviour, aside from her book "How do we Choose".

In particular she suggests there is a lack of sophistication in the techniques used to measure, evaluate and influence the phenomenon.

Tuck is concerned that the market research profession may be guilty of operating on the basis of "theories without foundations" and "theories without facts".

For example:

"The attempt to use personality or lifestyle measures to illuminate consumer behaviour is an interesting one, but no convincing or coherent theory or testing lies behind it."

She argues theoretical work and more "intellectually reputable procedures" have been neglected by the market research profession.

And she challenges the work of people such as Ralph Nader and his English counterpart, Michael Young.

"The huge new consumer movement . . . has, I believe, suffered from a lack of careful thought about the actual mechanisms of choice.

"Refuge has been taken in the rather paranoid theories of writers like Vance Packard, who see the consumer as a victim of totally manipulatory and evil forces . . . the consumer movement is, to my mind, badly in need of a more sophisticated and intelligent understanding of the mechanisms of choice." (From her book, "How do We Choose? A Study of Consumer Behaviour".)

The conference coveners say this will not be an "academic" seminar. Its aim is to encourage a greater understanding of "consumer behaviour", by both researchers and marketers, and to help the two groups to understand the work of each other.

"We want marketers to understand how we think about consumer behaviour, and we want them to tell us how they think," said Heylen's Ken Fink-Jensen, a speaker and organiser of the conference.

Other speakers will be prominent members of the research and marketing professions, including Heylen's David Fougere, McNair's Ron Stroeven, A C Nielson's Wayne Jackson, Victoria University's David Cullwick, and representatives from IBM, the Dairy Board, Carlton-Carruthers du Choteau, Hertz group and other major firms and universities.

*NBR* political writer Colin James will attack the problems inherent in the political polls, and question whether the poll-taking exercise has the degree of sophistication necessary to be an effective measuring device.

Mary Tuck . . . reservations

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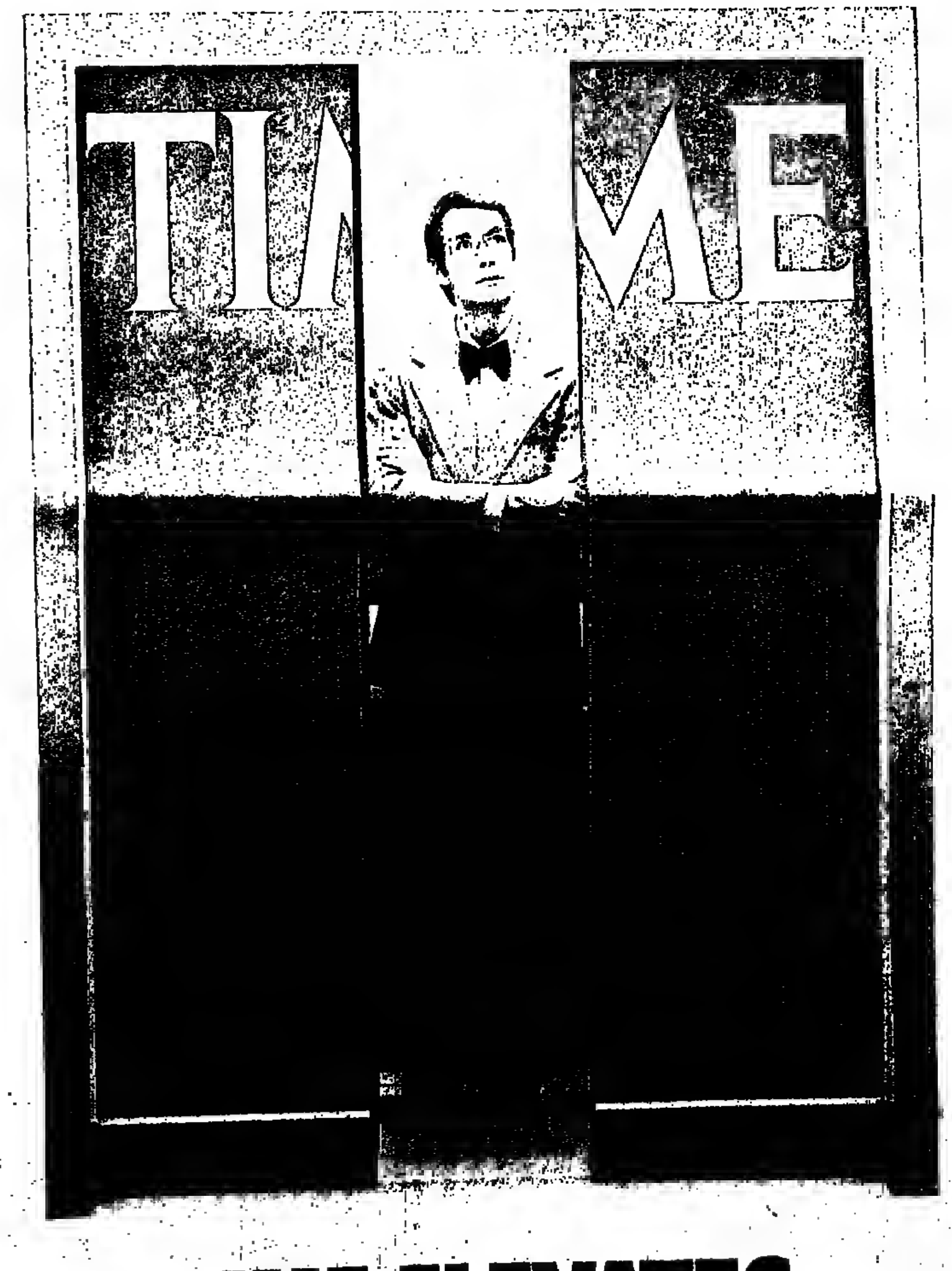

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Survey of Time New Zealand primary readers by Erdos and Morgan, Aug-Oct., 1979.

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# Houseware price war between multinational giants

by Lindsey Dawson

CONSUMERS who have been all steamed up over the price of irons and other electric housewares should soon be treated to a bout of discounting as Sunbeam and General Electric join battle oo the sales front.

The two companies are the market leaders io Europe, North America and Australia.

Until now Sunbeam has had a major share of the New Zealand market. But a new factory which has been opened by Rank-General Electric in Auckland will make irons which will sell at about 20 per cent less than current prices, which average $70.

"The manufacture of GE products here will engender much more serious price competitiveness, and we're likely to see more permanent price discounting," says Clyde Male, managing-director of Heatway Industries, distributors of GE products.

New Zealanders travelling to Australia have hought much cheaper electrical goods across the Tasman. But Male says that in future, we should be able to buy such household staples as irons, toasters and frypans here at prices approaching Australian levels, taking exchange rates into account.

He said that 16 years ago Sunbeam had the lion's share of the Australian housewares market. Once General Electric began business there 16 years ago the fight was on. Now the two vie for 80 per cent of the market, with Breville and others running behind.

The opening of the Auckland plant is a rationalisation of General Electric's business. Initially its 60 employees will turn out irons, mixers, vacuum cleaners and heaters with further products being added to the range in future.

General Electric will no longer make these items in Australia, the Auckland plant supplying them to both countries.

Male said that the export market, which he estimates should be worth between $3 million and $4 million in the first year, would not be subsidised by high local prices.

Heatway is also involved in the local manufacture of Australian Kambrook electrical products, and Male claims that Kambrook goods sell here for the same price as over the Tasman, and sometimes cheaper, even taking the exchange rate, now approaching 25 per cent, into account.

The prospect of an imminent price war in electrical goods is exciting interest in the retail trade, and *NBR* understands that Suobeam may lose some of its sales staff to General Electric.

The new General Electric company in New Zealand is a wholly-owned subsidiary of Rank-General Electric, based in Melbourne. The UK Rank organisation took a majority holding in the Australian General Electric company two years ago.

General Electric USA ranks in the top five of the billion-dollar US manufacturing corporations.

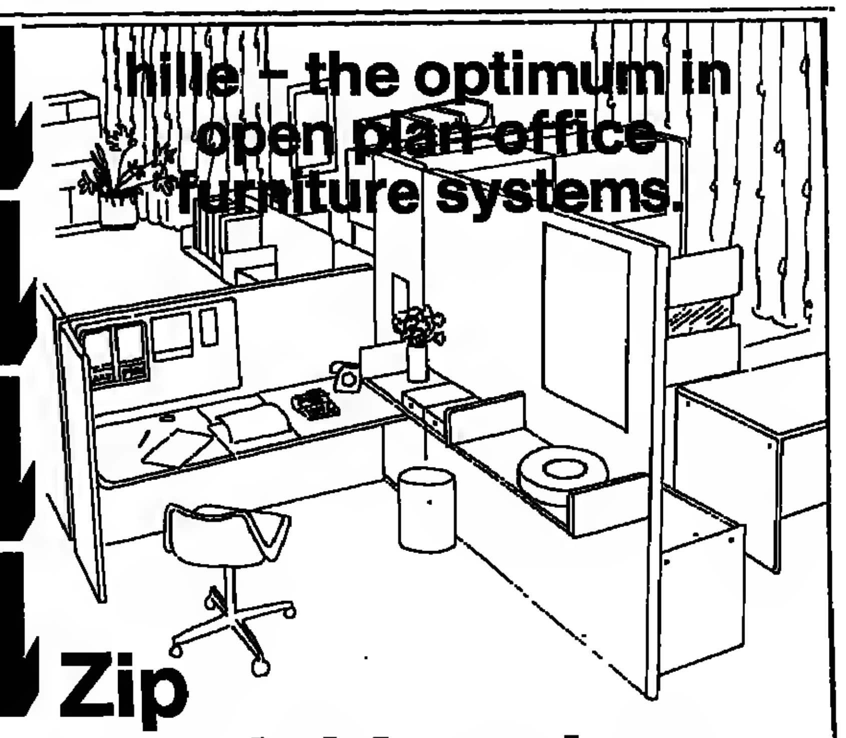
Its product range from jet engines and missile systems to home appliances and plastics.

Male believes that there's room for much expansion in the steam-iron market, as present models are expensive to buy and repair. "Australians buy a new iron once every five years, New Zealanders every 10 years," he said.

General Electric had come to New Zealand, Male said, because it was unable to get access to the market for Australian-made "core items" such as irons, toasters, frypaos and kettles. It was a matter of "having to", he said.

He said the arrangement would succeed on its own merits because General Electric was not asking for any concessions from the Australian Government.

Normal tariffs would be paid.

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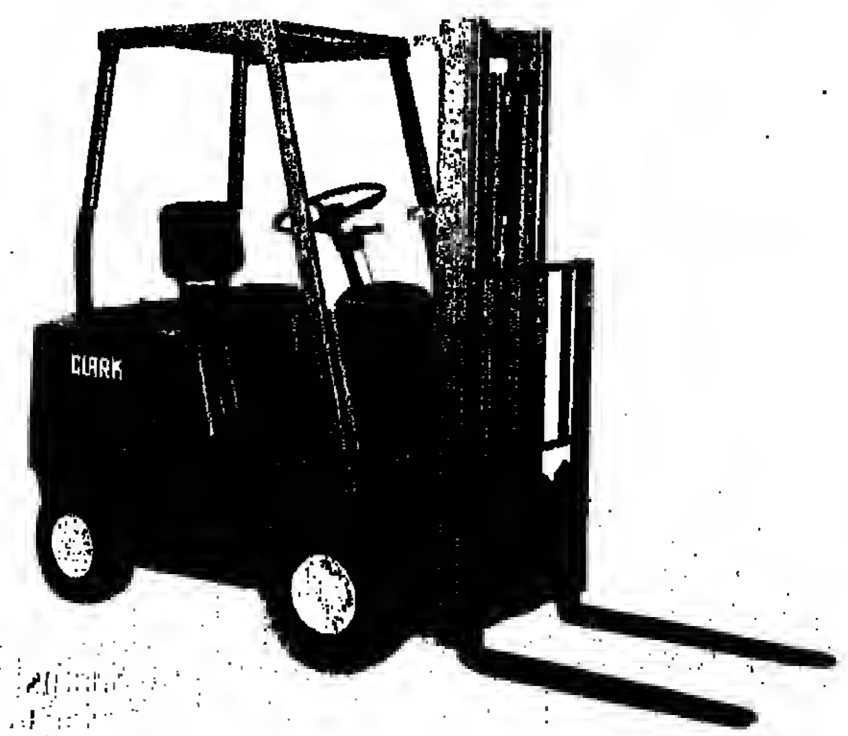

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*Building Industry*

# Home restoration specialists in the money

by Rae Mazengarb

THE rush to buy up old run-down houses ond convert them back to better than their original glory is guaranteeing big money for those in the home restoration material supply business.

Pre-1930s architraves, mouldings, fretwork balustrades, door handles, lead-light windows, even old loos are ell in demand egain — et premium prices.

Some customers went thet something "just a bit different"; others enjoy the investment appeal of collecting something authentic.

John Dobson, a director of Petone-based Architectural Antiques Ltd, says he finds he falls "in love with things".

A plumber by trade, he and his builder mate, Bill Cargill, threw themselves into the business a few months ngo.

Already they are finding their rental accommodation too small.

The semi-restored building fronting the Hun Road is jem-packed with bits and pieces, some of which Dobson hss been collecting since the 1950s.

Old fire surrounds, an old stair-case, a four-foot square pressed zinc chendelier centrepiece, old doors and windows are crammed into each room, all in verious steges of repair.

Other pieces without the same well-worn, even damaged look, seem elmost out of plece in the environment.

Reproduction rimu wash-stand and basin units, doors, gates and colonisl fittings for those who "don't went to go all the wey" but like the "olde worlde" look nonetheless.

In the courtyerd out front, sits a gazebo summer house, the original focal point of the business.

John Dobaon . . . "fajls in love with things.

Modelled on the old English summer houses, they were designed for sale by Dobson and Cargill and later adepted to kitset or modulsr form.

A trip to Auckland early this year to market the gazebo prompted the partners to develop the architectural antique side of the business.

Inner city redevelopment had created a booming msrket for restoration meterials; and the field wes wide open for e specialist in Wellington.

While orders came in for the summer houses, the company was incorporated and some $15,000 was paid out for stock.

For Dobson, it was the consummation of e life-long dream. He has worked with restoration materials for years, and even used them to construct his new home.

Holideying in England in 1973, he was so intrigued with the antique world thet he took e job for three months with an antique shipper.

Since then he hes followed closely the success of American antique auctioneer John P Wilson, whose tenth annual auction last year grossed "e disappointing" $11 million in two days.

Dobson remembers when he met Wilson in 1976, the American told him there was a great future in authentic fixtures and fittings of old buildings.

The edvice appealed to Dobson's entrepeneurial spirit. There is not much he hss not tried.

From plumber he turned to the restaurant business in the mid-1970s, starting up the Gravy Train restaurant in Wellington.

"That's where I learnt you couldn't put $100,000 worth of decor in for $10,000."

He sold roast beef successfully for 12 months hefore moving into the building recycling business with another partner.

His partner left for Australia, but not before Dobson knew the recycling business was un.

At the time he had an offer to pull down an old house in the Hutt Valley and maneged to salvage a great deal of materials.

By that stage people were moving back into the inner city ereas to restore the old houses there.

To fill the material supply gap, and add that little bit extre to a garden, Dobson end Cargill leunched their business.

The gazebos were a gamble which eppears to be paying off. By the end of this year they will know how profitable that side of the venture is. Meanwhile they promote the product "just by putting it in e garden", and they plan to combine e display with a spa pool company at this year's Wellington Winter Show.

On the architectural side, epart from buying and reselling restoration materials, they plan to do consultancy work. Currently they are sdvising the Lower Hutt City Council on urban renewal.

Dobson says that with restoration, there is a danger of copying, ending up with a street of bouses all looking the same. Individuality is important.

That's whst is so sppealing about the pre-1930s era, before the introduction of the state house "screwed up New Zealand architecture", he says.

Dobson and Cargill are prepared to buy slmost anything they think will catch on: kauri kickboards, brassware, door hsndles, lead-light panels, and estonishingly, old toilet bowls.

It's risky, but Dobson says, "I wouldn't go into the business without the right feelings ... but I believe in throwing all into it. You either sink or swim."

At the moment they are doing things that others wouldn't do, although they hope to be better equipped in a few months to know just what they should be buying and what they should be paying.

At the moment: "Individuals set a limit (for price). I try to be fair . . . leave a margin for us and a satisfied buyer."

They say they are not making e fortune. Rather it's the combination of a genuine interest and the desire to mix work with travel.

Competition has already caused prices to soar, but the pace is still good.

As with all commodities, the price is affected by supply and demand and hence there is not room for ton many people in the business.

Dobson says he likes the flexibility of price. "With new stuff you're tied to costs ... people negotiste with the old."

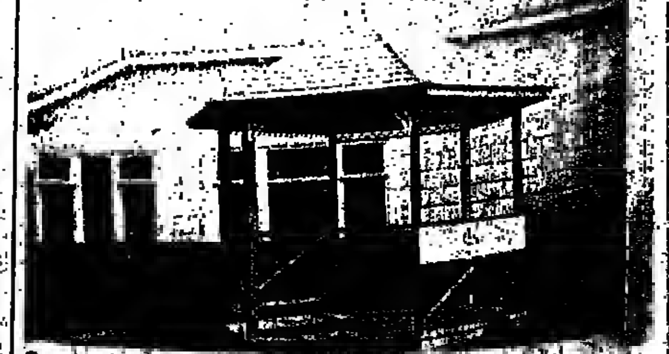
But he dislikes having to pay high prices to counter bids from Aucklond. He believes Americans and Australians have moved into the local market and can offord to buy up almost onything end ship it back home.

Some of the better-quality stained glass windows are going out of the country, he says. "It's a pity no one here is keeping track of the amount of stuff being sold to overseas' buyers," he adds.

Dobson says the Historic Places Trust is fine, but its finance is limited. A lot of old buildings cannot possibly be saved, but some items — such as the old BNZ counters — should be preserved.

"Overseas cities have benefactors, who give these things back to the town. We don't seem to have such people."

Dobson points out that in areas such as the Wairarapa, fine old buildings are not demolished in the samo way as in the city. And when buildings are tagged for demolition, vandals destroy items which people like Architectural Antiques would psy dearly for.



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*Real estate*

# Real estate merger opposed at grassroots

by Ree Mazengarb

PROPOSALS to amalgamate the Real Estate Institute's 14 districts into five regional secretariats are being resisted at district level.

Particularly in the lower North Island and the South Island, where the proposed regions would be spread over-wide geographic areas, members fear a loss of identity and personal contact with local secretaries.

They also see the Auckland-initiated scheme to be weighted in favour of that district (which has more than e third of the membership).

Based on e three-year-old management report, the scheme was outlined recently in a discussion paper prepared by executive manager Eric Keys.

Keys said he did not expect the ideas to win wholehearted support; nor did he aee great administrative changes being effected for a few years.

The intention of the paper was to generate discussion and act es a catalyst for improvements, he said.

The streamlining proposals aim to make the inatitute's administrative structure more cohesive, to set up a common system of budgeting and reporting, and to provide full-time secretariats.

A aubcommittee of the national council is studying the report, but a meeting ln Auckland last week feiled to resolve the difficulties, particulerly the belief that the districts will lose their autonomy.

The report recommends the amalgamation of Aucklend and Northland (36.1 per cent of total membership); Waikato aad Gisborne (14.9 per cent); Wellington, Manewatu, Hawkes Bay, Taraneki and Wanganui (23.2 per cent); Nelson, Canterbury-Westland and South Canterbury (18.6 per cent); and Otago and Southlend (7 per cent).

Keys said the proposala would cost the institute $5000 above current estimetes, which should be partially offset by the benefits achieved from e standard set of procedures end administration.

Further savings and tighter control over financiel, judicial and administrative matters would be echieved later, he said.

Most delegates et e recent meeting of district presidents opposed the proposed reforms, but Keya said he believed this resulted from confusion over the functions of the secretariats and the district committee system.

In his report in the latest *New Zealand Real Estate*, he seid amelgamation would free local committees from the burden of financial and minor administrative problems. Local committeea and presidents would still be required to maintain public relations.

But the secretary of the Canterbury-Westland district, Gilbert Kissell, sold he doubted the scheme would be implemented. Members in his district feered thet because of the geographical spread of their region, a secretary could not retein personel contact.

Nelson president Wolly Dobson said the size of the proposed regions — particulerly the one which spread from Taranaki to Hawkes Bey and down to Wellington — would make the system unworkable. Members would lose contact with secretaries having to cover such en erea, he said.

Dobson aaid his district would be suggesting that the proposels be held over for at least a few years for closer examinetion.

# Disappearance revives NZ memories

AN insurance consultant who was involved in events which led to the collapse of the Auckland broking company, R Tether Insursnces Ltd, vanished from his home in Surrey, England, two days before extradition hearings were due to start against him, according to a recent article in *Post Magazine*.

James Howey — former director of Hong Kong-based Commodore General Insurance Co Ltd — was on 40,000 pounds bail pending the hearing of a charge brought by the Australian Government, alleging he falsified a document in relation to a receipt for $A100,000 in 1975.

Howey, whose name on English court records has been changed to Hoey, was arrested in eerly 1980.

He ia former managing-director of Australian-based Saltergate Insurance Co, whose liquidators at one time were reported to be seeking the return of some $400,000 from him.

Later Howey became connected with the Commodore General Insurance Co through its London office. Commodore wes one of the companies in a London-based pool which reinsured risks written by five Lloyds syndicates run by Ashby and Co.

The City fraud squad is still inquiring into transactions which led to the syndicates exceeding their premium limits, according to *Post Magazine*.

In 1979, Commodore declined responsibility for insurance written by Tether in New Zealand.


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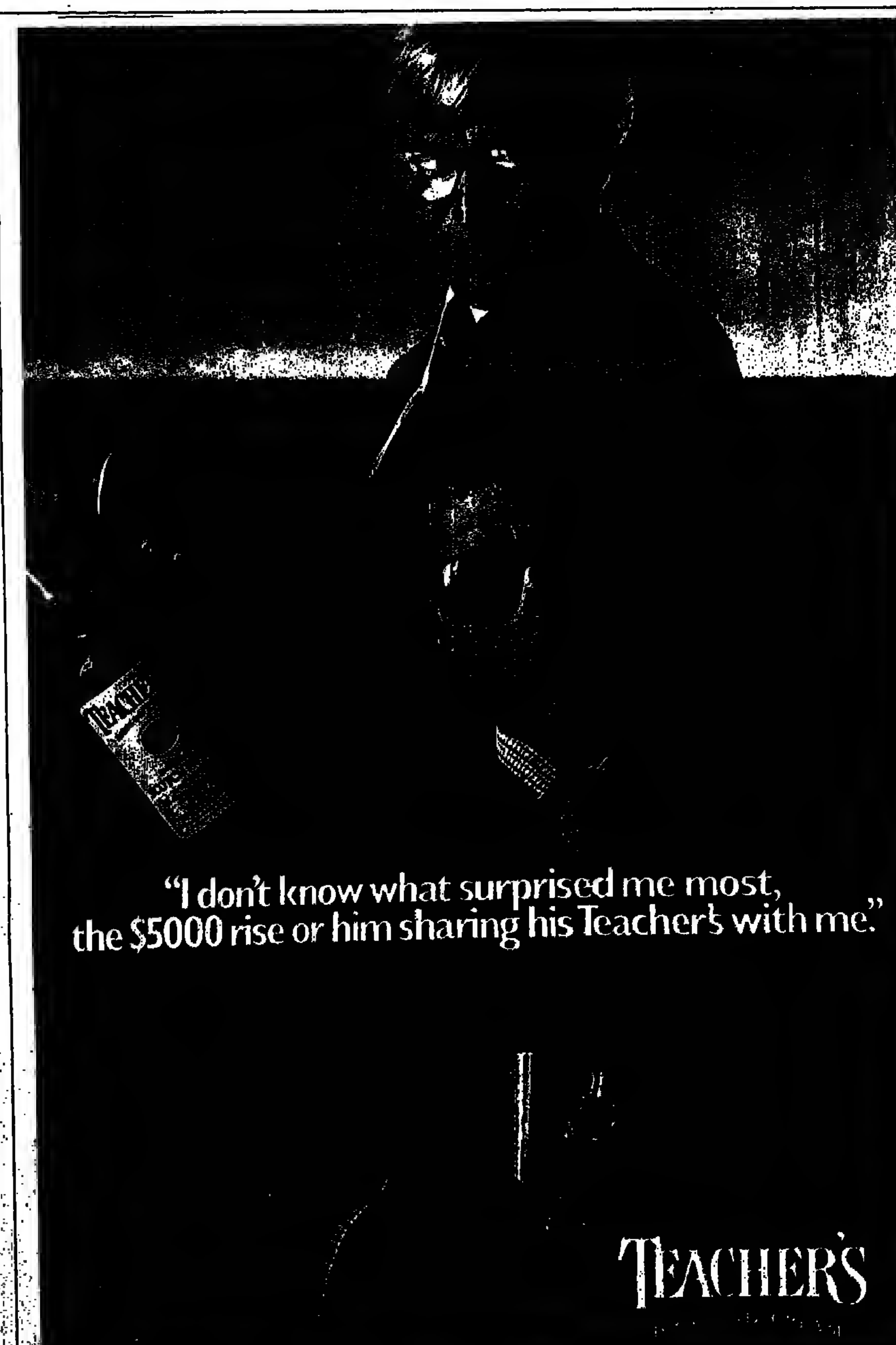


# Calling 'The Professionals' — but should NZ rely on imported engineering expertise for energy projects?

**THE Ministry of Works and Development, assessing the major project programme over the next decade, thinks the domestic content could be up to 54 per cent of total expenditure.**

**The department's planners break this content down thus: labour 35 per cent; plant 30 per cent; materials 35 per cent.**

**Obviously, much of the plant and material costs would involve indirect import expenditure, but the overall figure still represents a large chunk of work for New Zealand companies.**

**But how accurate is this assessment? Will the estimates match the reality?**

**The politicians have promised a plethora of riches for local businesses — it is one of the major spin-offs of the big projects in political eyes. Yet, increasingly, local professional and industrial engineers are questioning these promises.**

**In this continuing series on the major projects and the unspoken difficulties surrounding them, Allen Parker examines the New Zealand content issue and how it has affected the country's professional engineers.**

DID you hear the story about the Huntly power station boiler?

It seems management brought in overseas experts to design and manage the boiler building.

The experts did the job and collected their million or two in fees.

The only trouble was they forgot about local earthquake codes and other minor details — and had to call in the locals, the ones they chose to ignore first.

Never mind, it only cost an extra $3.5 million in direct redesign and steel costs (the six-month delay factor cost for capital servicing could have been up to $27 million, according to one estimate).

Still, what's a few million among overseas mates when you're talking five billion or more?

Quite a bit, say the country's professional engineers. They have told the Government that these costs should not have been incurred at all if locals had been used in the design phase of the project.

Locals weren't used because the *general* requirement placed on the contractor to use home skills somehow did not eventuate.

The boiler problem was not the only one identified by local professional engineers on the Huntly project; other facilities handled by overseas contractors have shown "similar shortcomings".

If that example doesn't make "Buy New Zealand" proponents weep, the next one should.

The Liquid Fuels Trust Board, the body set up by the Government to investigate our energy options and their potential for development, decided to seek tenders for a feasibility study into the Southland lignite fields.

Among the tenders was a New Zealand engineering consultancy's proposal. The consultancy tender made the point that it would have to bring in some technical expertise from overseas but could still manage the tender and handle most of the required study.

The Liquid Fuels Trust Board response was rather curt and included the following paragraph: "It appears to the board that there are no New Zealand engineering consultants with the required expertise to complete the proposed study satisfactorily. It is the board's intention, therefore, to seek proposals to undertake this work from selected overseas mining consultants."

These two instances of New Zealand interests missing out on a slice of the big projects cake represent just part of the $15 million in fees that the New Zealand Institute of Engineers estimates it has lost to overseas contractors.

But more importantly, it justifies the already widespread — and growing — scepticism in the local manufacturing, contracting and servicing sectors about the degree of New Zealand content that will finally be represented in these major projects.

For despite insistent Government statements that there will be maximum content, there remain no guarantees, no established criteria that will ensure this happens.

And that is concerning many potential project suppliers and contractors who are already facing a critical downturn in business.

Recent months, for instance, have seen a number of engineering companies go out of business because of the lack of work available in New Zealand. More report they are on the borderline of bankruptcy.

The Heavy Engineering Research Association (HERA), for example, surveyed a sample of New Zealand's heavy engineering firms at the end of February — about 35 per cent of the industry, by number employed.

Among the findings:

- On average, surveyed firms have just over three months work ahead of them;
- One company had gone into liquidation, three others faced the same future without an increase in work and eight others were on the break-even point;
- Production down 20 per cent and turnover 16 per cent down in real terms since 1978.

Said the association: "Hence, for about 50 per cent of firms surveyed, there is some doubt as to their continuing viability."

Trade and Industry Minister Lance Adams-Schneider responded by acknowledging "that some engineering companies were suffering from a lack of work at the present time".

But, he insisted optimistically, there was no doubt that there was "a great deal" of work pending for the industry in the various energy-related and other projects coming up "in the near future".

Local companies agree that the projects will create "a great deal" of work. But they wonder how much of it they will see.

The Institute of Engineers has identified some of the fears and asked for safeguards in a submission to Energy Minister Bill Birch. Although relating primarily to the professional engineering sector, the principles outlined by the institute are valid for other sectors vying for big project spin-offs.

For instance, the engineers told Birch that a primary hurdle to maximising New Zealand content is the attitude and demands of the overseas contractor.

"In new projects the principal (overseas contractor), while recognising New Zealand expertise, requires expertise and demonstrated experience (capability) in order to minimise commercial risk.

"The New Zealand engineer offers expertise without demonstrated experience in projects which are new to New Zealand.

"The principal, therefore, tends to select overseas consultants who, due to inherent weaknesses in the system, are then enabled to undertake work which is well within the capability of New Zealand engineers. This occurs at a cost to the nation in terms of both economic and engineering resource development."


"Search the firm for an alert, aggressive whiz-kid who could step into my shoes — and when you find him, sack him."

The engineers' argument is well illustrated by the Huntly boiler fiasco.

They, too, point to the lack of clear criteria for New Zealand content. While acknowledging public sector (and overseas contractor) "acceptance" of the principle of local content, the engineers are "concerned that in the absence of any formal requirement for this principle to be *considered and heeded* (their emphasis) by all relevant parties, the desired effect need not necessarily be achieved".

Among the weaknesses seen by the institute:

- Consideration of New Zealand skills only occurs after the contract has passed into the overseas consultant's hands;
- Locals have to sell themselves to a competitor "who has a vested interest in maximising employment of his own staff".

The engineers have already documented some $15 million in lost fees. They argue: "If these fees had gone to New Zealanders capable of performing this work, the effect would have been equivalent to that of an efficient import substitution programme with substantial multiplier effects on GDP (Gross Domestic Product), employment effects associated with this expansion, increased tax revenue (the additional income is largely salary income) and with a positive effect on the balance of payments and on foreign exchange reserves."

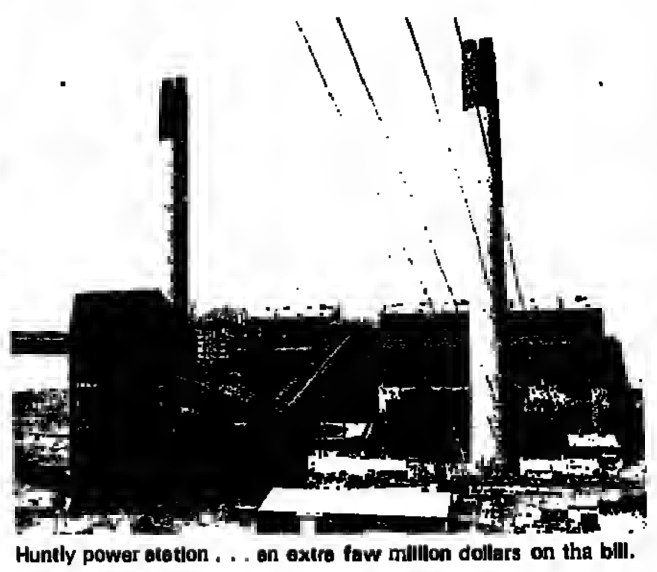
The institute, with a role as government lobbyist, must necessarily couch its gripes in subdued tones.

Individual engineers and consultancies do not feel the same constraints.

Said one: "The government and the bureaucrats are only interested in getting a result; they're not interested in the human resource. They're taking the easy way out by off-loading the whole works to overseas contractors."

Another: "Local people can manage a lot of these projects. We've got the management here and we can buy in the technology that we need. That at least keeps the control and most of the money and jobs circulating in New Zealand."

And a third: "The talents and the expertise are here. All we need is the right attitude, the attitude that says New Zealand can be good."


Huntly power station . . . an extra few million dollars on the bill.

Citing the nation's internationally recognised skills in geothermal and hydro-dam developments, the engineers argue that unless local business has an opportunity to work with projects that demand new technology then the nation will find it harder to build a skill base for future years.

Also: "The migration of engineers and reduced entry into the profession is not solely a question of financial reward. The nature of New Zealand involvement in major projects is an influence on those professionals who are motivated by considerations of professional development.

"Unless these avenues are offered in New Zealand and the system allows New Zealanders to participate to the maximum of their capability, the professional and financial rewards offered by booming overseas engineering practices will attract the skills out of New Zealand."

The Liquid Fuels Trust Board action over the lignite fuel study, for example, is hardly likely to instil confidence in a New Zealand commitment to local content and skill development, they say.

NEXT WEEK: The manufacturers — the fears, the system, the promises.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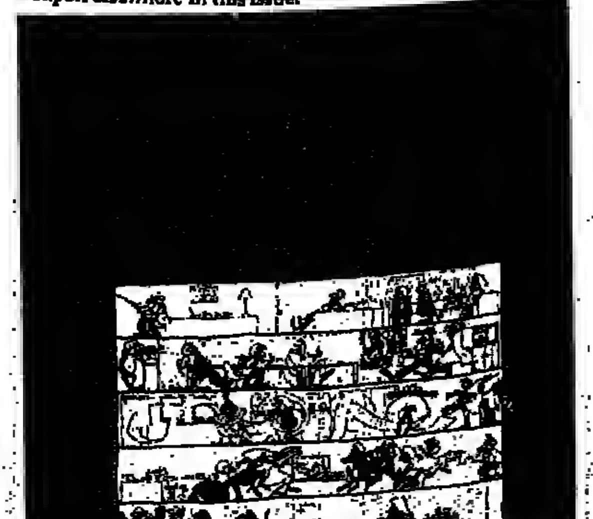

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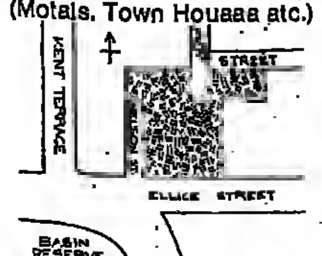


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# Institute rejects IDC draft report

This survey on the plastics industry is prepared by David Paech in association with the Plastics Institute of New Zealand.

THE draft development plan prepared by the Industries Development Commission for the plastics industry neither encourages the industry nor outlines a clear path for future development, according to a top industry spokesman.

"Accordingly, we have no option but to reject it in its present form," the retiring president of the Plastics Institute, John Mason, told the annual plastics conference last week.

Mason said that should recommendations given in the report be followed, then a decline in production and employment would be experienced.

"In presenting its economic theory, the commission has failed to take cognisance of the nature of New Zealand's mixed economy," he said.

"Much of the plastics industry is, like others, in a seriously depressed state and could under no circumstances sustain a loss of market to imports as proposed by the commission.

He said import licensing was the most appropriate form of protection of the plastics industry.

"Tariffs alone, particularly in today's economic climate, cannot provide adequate protection because they are easily negated by a number of factors, including exchange rate fluctuations, dumping and other disruptive pricing practices."

Mason said the industry was greatly disturbed at moves to remove protections for local industry and its workforce from unfair competition from low-cost countries, particularly at a time when "protectionism" was on the increase among New Zealand's trading partners.

He said that, in respect of the commission's development plan for the industry to 1990, the institute was extremely critical of the draft reports so far prepared by the IDC.

"Within the proposed timetable of this study we were advised by the commission that before the first round of hearings we would receive a position paper on each sector expressing the commission's viewpoint of each such sector.

"Instead we received a synopsis of the industry's own written submissions," he said.

"Our impression of the so-called draft reports is that these are no more than the 'position papers' originally indicated and we must now repeal a round of extensive submissions and hearings to re-state the recommendations we have made and which have been largely ignored."

In response to the draft reports the Institute issued a statement. In it the Institute welcomes the commission's view that almost all activities presently carried out by the plastics industry are classified as justifying encouragement.

It also welcomes the commission's view that the industry will register higher than average growth within the 10-year review period to 1990.

However, the institute says it cannot accept that the plan outlined either encourages the industry or outlines the areas of future development which will result in higher than average growth rates relative to the economy of the country.

Rather than presenting a development plan, Mason considers the commission's draft reports an eleboration of its unproven economic theories on the use of market forces to control the New Zealand economy. The effect of these drafts is to present the findings of the commission's tariff review, he says.

Mason told the conference that the industry required a development plan which gave appropriate recognition to the reality of the New Zealand society and the Institute had urged the commission to withdraw its market forces economic theory from the development plan and to revise its recommendations in accordance with the reality of the economy.

In this respect, the IDC has agreed to withdraw its market forces paper from the industry report.

Having stated that the industry justifies encouragement, Mason claimed, the commission had then failed to make meaningful recommendations which would give such encouragement, other than to recommend the removal of sales tax on plant and that the industry be accorded the 40 per cent investment allowance on new plant and machinery as provided in the 1977 Budget.

Mason said the Plastics Institute rejected the commission's recommendations which encompass:

- The phasing-out of import licencing as a method of protection of industry from imports;
- The testing of new (lower) tariffs by allowing imports of up to 10 per cent by value of the New Zealand market for products currently manufactured by the industry under an import licence tendering scheme or up to 22½ per cent of the New Zealand market under MR licences; and
- The use of an arbitrary ERP benchmark to determine the "efficiency" of a local industry.

In place of these recommendations, the institute will recommend that in its report the commission gives recognition to the following:

- The continued use of import licencing as the most appropriate, proven method of protecting New Zealand industry and its workforce from unfair competition from low-cost countries and of providing an environment for continued development of the New Zealand plastics industry and the growth of its export market;
- That no tariff levels should be lowered from present levels and that developing country status for low-wage-cost countries which have highly developed plastics industries be withdrawn;
- That no policy of increasing import licence allocation be recommended unless: there is improved trading benefit gained by New Zealand (for example, CER), there is a more buoyant economic situation in New Zealand and that proper research is done in respect of current situations relative to import competition;
- That the ERP arbitrary benchmarks of evaluating the value of an industry relative to the New Zealand national interest be replaced by a broader encompassing method with which industry can agree; and
- That due recognition be given to the degree of restructuring currently occurring within New Zealand industry as a result of Government encouragement for exporters and of the depressed state of New Zealand industry.

Mason said the Plastics Institute called for a more positive industry plan to enable the industry to fully attain its potential contribution to the New Zealand economy both by development within the domestic industrial base and by the development of both direct and indirect exports.

John Mason . . . disappointed by commission's findings.

## More success in exporting

THE plastics firm of Mainguard Packaging Ltd, which recently sold more than one million planter bags to Papua-New Guinea, has had another export success in the Pacific — this time in Fiji.

The company through its associate Agpae Plastics Ltd, has sold 24,000 square metres of its "Agphane 101" greenhouse covering to the Fijian Government to be used for greenhouses.

The plastic sheeting was cut and welded to shape ready for placing over the greenhouse frames. "Agphane" was developed for commercial growers in New Zealand to combat the severe deterioration in conventional plastics caused by ultra-violet rays, and also has excellent heat retention/reflective properties.

In Fiji, the material will keep greenhouses cool, rather than hot, so that temperate zone vegetables can be grown.



# Recovery still well away, economist claims

THE worst of the current recession is over, but a well-supported and sustained recovery is still some years away.

That was the message on the economy delivered to delegates at the Plastics Institute conference, held in Rotorua last week.

New Zealand Manufacturers Federation economist Wayne Coffey told plastics manufacturers and converters that in the 12 months to March 1982 only a modest improvement was expected — growth of the order of 1.5 to 2 per cent.

He said that while it could be perhaps double the growth of last year, it is still not good, particularly as it will not be soundly based.

"We will still have high inflation, record unemployment and a growing, although quite manageable, deficit in our external accounts."

Coffey said last year was, economically speaking, "bad news". Consumer spending at the retail level plunged during the winter to reach its lowest point since March 1978.

Volume sales per head of population feel 2.5 per cent in the December quarter alone — to a level of 6.3 per cent decrease in Wellington; 5.6 per cent in Dunedin.

At the same time, said Coffey, there was a profit squeeze which caused inflation to ease slightly, but this is probably only temporary. Unemployment kept rising and real investment was negative.

"As if a sinking market wasn't enough, retailers started to get very efficient at managing stock, and in fact, they pushed their stock/sales ratios down to the lowest levels for seven years."

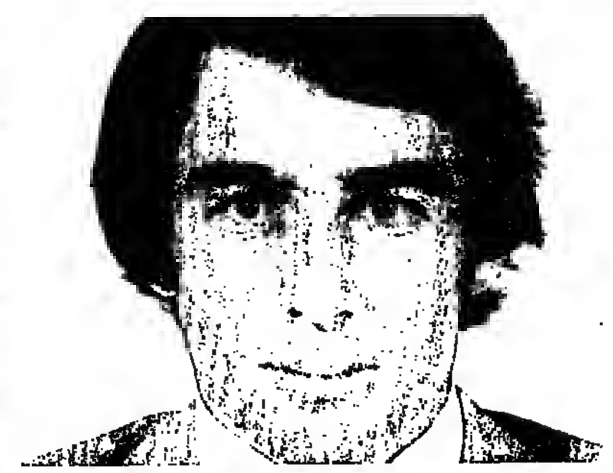
The result of this was higher stocks in manufacturing and sharp production and people cuts — much sharper than was warranted by the general downturn, Coffey maintained.

He said in fact production volumes in the December quarter of 1980 were at least 6 per cent lower than a year before.

"But there was one bright spot — exports kept on keeping on, evidence of a permanent commitment to export targets."

Coffey maintained 1981 should see a 1.5 per cent to 2 per cent growth in the economy overall, with the annual rate accelerating from about 1 per cent now to perhaps 3 per cent by the end of the period.

He told the plastics manufacturers that key factors in determining the size of the recovery, were the development of major projects, the level of commitment to holdings of money, and the money supply situation, and the contents of the forthcoming Budget.



Wayne Coffey . . . only modest growth likely.

He said on the negative side were such things as the level of savings and consumer confidence, retail stock levels and taxation levels.

Coffey maintained the economy, as far as manufacturers were concerned, was full of uncertainty — mainly about Government policy.

The current confusion relates, he maintained, to the impact of a number of policy areas, all of which affect industry protections.

Among these he listed current closer economic relationship negotiations with Australia, the effect of the industry study programme, and the proposed import licence tendering scheme.

"All these policies make some sense if examined in isolation but to the manufacturer whose proper pre-occupation is the management of his business resources in a fiercely competitive market place, the net effect is confusion.

"In my opinion restructuring is going fast enough, but the present intrusion into corporate privacy is not worth the cost in lost management time or the anxiety it generates, particularly on the shop floor."

Coffey said the industry study programme was a good example of this type of intrusion: objectives are too wide, too ambitious and badly defined, and techniques of evaluation have been poor and are being developed only as the programme proceeds.

Resources for the excercise were also too inadequate and this is resulting in missed deadlines, and even longer periods of uncertainty.

He advocates a moratorium where the role of industry studies are more closely defined, terms of reference are made more restricted and where current levels of industry assistance are properly researched.

Plastic exports . . . 12 per cent of total production.

## Plastic exports near $52 million

NEW Zealand plastics exports are expected to reach more than $52 million by the end of this year, according to a national survey recently completed.

The survey of 57 member companies carried out by the Plastics Institute shows an average of a 34 per cent lift in direct and indirect exporting performance during the last 12 months.

Projected figures for this year will have the industry exporting about $52.5 million worth of product, both as direct and indirect exports.

The percentage increase in exporting achievement represents direct exports worth $26 million in real terms and this, together with indirect exports — plastics items used as componentry for other exported goods — meant the industry was currently exporting more than $43 million worth of product.

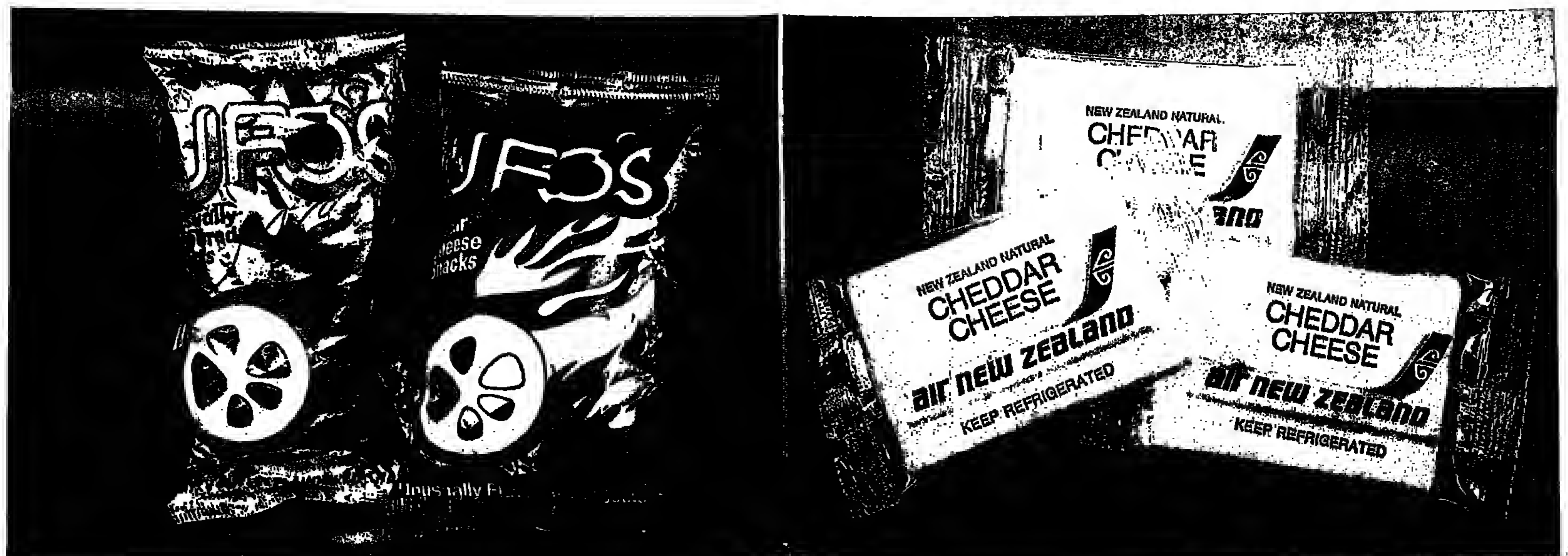
Commenting on the results of the survey, the newly elected president of the Plastics Institute, Ian Ristrom, said the industry was again demonstrating its vital worth to the New Zealand economy.

He said two years ago the plastics industry gave industry generally a lead by declaring an objective of exporting 20 per cent of its total production by 1999.

"The survey shows we are now exporting about 12 per cent of total industry production and this brings our ultimate target so much closer."

Ristrom said the exporting achievements of the plastics industry, particularly at a time of depressed market activity, was tribute to the industry's proven efficiency.

More than just a pretty face...

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# An explanation of why Swissair has no need to introduce a King Lounge Class, a Flopper-Hopper Class, or a Golden Edelweiss Service.

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Particularly not now, with all sorts of airlines making all sorts of service offerings (down to all sorts of subdivisions and fancy names for their various classes) and doing everything to make you think of their name and theirs alone at the crucial moment.

We have therefore been impelled to consider methods of reminding you of Swissair at the crucial moment. And we have accordingly decided not to restrict our service by a single gesture nor our seating by a hand's breadth.

You'll recall us as the airline with the Boeing 747s that have only 9, not 10 seats abreast in the Economy Class, and the DC-10s with only 8, not 9 seats abreast – more room instead of more seats.

And the airline where you as a normal-fare passenger can reserve your favorite seat when booking the flight; and where you also have more room because you can store your hand luggage in closed overhead lockers.

We are the airline that is as fussy about cleanliness as Switzerland itself in every nook and cranny.

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And also the airline that still has a First Class so-called because it actually is. (Let us just remind you of the "Cuisine Moderne Swissair" on our long-distance flights.)

And for that matter also the airline that is first to use the new, considerably quieter and more luxurious DC-9-81. (For instance it has a separate toilet for First Class. Our passengers in First Class take their ease on generous leather-upholstered seats. This is the first short- and medium-haul aircraft to meet the latest rigid noise standards of the Federal Aviation Authority.)

So you can see we have no reason to put forward ordinary services as a special achievement. Certainly none to graft a fancy Flopper-Hopper name onto our Economy Class when that's already different from others as it is. And we don't propose to give our service a flowery designation when it's sufficiently known under a name that people are glad to remember always and everywhere.

So we can promise you to keep on calling our Economy Class the Economy Class. And our First Class, First Class.

This so that starting with your next flight you need remember only one thing: the name of our airline.

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*Manufacturing*

# Lawyers trying to ease carbon brush friction

by Lindsey Dawson

LAWYERS acting for two carbon brush manufacturers are negotiating to settle differences between the two competitors — one a giant multinational, the other an Auckland family firm.

Both parties were reluctant to speak to *NBR* but it is understood the Australian Morganite firm, which is part of the big British Morganite business, is offering to meet Donald Browo Ltd's request that it make amends for events which occurred when Morganite began business in New Zealand in opposition to Brown.

The problem involves catalogues detailing factory plant and equipment and their carbon brush needs which were supplied to clients by Brown.

*NBR* has been told that some of these were copied and represented to clients, sometimes with minor changes, as Morganite work in Morganite binders.

*NBR* understands that Morganite denies knowledge of the events, which occurred while it had only a 50 per cent shareholding in Morganite's New Zealand firm, then known as New Zealand Carboo Engineering Ltd.

The business has since become wholly Australian owned and its name has been changed to Morganite Carbon New Zealand Ltd.

Donald Brown Ltd has been making carbon brushes in New Zealand for 30 years. It used to have the Morganite agency but switched suppliers three years ago, turning to an American firm, Union Carbide.

After that, a new firm was set up in New Zealand to supply Morganite brushes. (Carbon brushes are conductors cut out of blocks of carbon which form the contacts between stationary and moving parts of electric motors, and are therefore vital and heavily used components in industry.)

NZ Carbon Engineering was set up with an authorised capital of 60,000 $1 shares. Morganite Carbon Pty Ltd, of Australia, held 50 per cent. The remainder were held by directors Robert F Williams and his wife. There were also two Australian directors.

Industry sources told *NBR* that there was heated competition between the two companies and some clients moved away from Brown. Rumours apparently were rife in the trade about why Brown and Morganite had split, and for some time Brown sales reps carried copies of letters between the two companies allowing that it was Brown who was unhappy with the relationship, not Morganite.

Companies' Office records show that Carbon Engineering sustained a loss of $33,425 for the 1979 financial year. The company did not disclose its sales for the year, because "in the opinion of the directors such disclosure would be harmful to the business of the company".

Brown managing-director Grahame Brown would not comment to *NBR* on the friction between the two companies, except to acknowledge that negotiations were under way regarding actions which he regarded had been harmful to his company.

Morganite Australia's managing-director, Paddy Lord, visited Auckland recently. Before that, he had told *NBR* from Sydney he would prefer not to comment because the matter was a legal one, but "any conflict, if there was any, which existed between Brown and Carbon Engineering, is irrelevant as far as the new company is concerned."

Williams, who is no longer with the company, also declined to comment.


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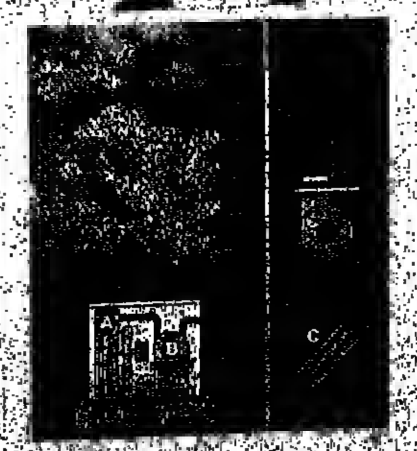

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*Sport*

# Now it's Turner No 3's turn to turn up trumps

Brian Turner gives a personal view of the sporting scene in this occasional column.

I NEVER thought it would happen but it has. Recently someone asked me if I was Greg Turner's brother. So now the plain truth is that as the oldest in a family of three I have again been relegated. I am a sombre inconsequent last; total obscurity stares me in the face and I can't say I care.

For years I have put up with being introduced as "Glenn Turner's Brother". It was amusing for a while but eventually I went through a period where those words severely strained my tolerance.

I still obtain autographs for other people's children, but they have to be friends, and I still pass on Glenn's address and phone number to journalists who ring me and make polite conversation once or perhaps twice a year.

I developed a variety of means of coping with being Glenn Turner's brother, that was after I'd thought about what he was up to and why, and whether I liked him much or not.

Most people are not put in the position of having to think about their brothers and sisters in this way — they don't unwittingly have to put up with listening to strangers running them down, abusing them in public arenas or passing comment in the guise of fact in the press.

I decided that, by and large, he was a good bloke, that the thing I admired most about him was his honesty and lack of hypocrisy, the self-righteous strain that is particularly virulent throughout New Zealand. So I would answer, Yes, it was true I was GT's brother but please remember it's not my fault.

People were curious of course; about him, not me. They would often ask why he wasn't playing for New Zealand any more; was he really only interested in money; how many hundreds had he made; does he try his hardest every time he goes in to bat; is it true he'd still be playing for New Zealand if it wasn't for Walter Hadlee; does he like fast bowling . . . and on and on.

I couldn't answer the question about the hundreds but I could manage the others easily enough, especially the one about the former chairman of the cricket council's board of control.

My mother has always found the business of having a well-known son to be utterly harrowing. A gentle, nervous, far from robust person, she found going to matches an ordeal. She didn't want to hear what other spectators had to say and couldn't bear the strain of living every ball that was bowled.

Radio commentaries she could stand but only for short periods at a time. She never made any pretence to a deep understanding of the game, nor did she profess to know why the "boys" did, or supposedly said, this or that.

My father, on the other hand, thrived on the whole affair. He is one of those who couldn't be more deeply involved both emotionally and theoretically. Truculent, abrasive, witty, sulky, he would mix it verbally with anyone and often vented his fury on his second son (Glenn) for being an unreasonable and tactless idiot.

Other times he would be 100 per cent in support. One could never be sure of where he stood from one day to the next but you'd certainly find out soon enough.

Sport with our family, then, has always been a mixture of fun, determination and turmoil. It's been gone at with a will, physically, philosophically and theoretically. Hours have been spent going over tactics, temperament, technique and training.

Well, just as I'd thought much of this was at last receding, and it wouldn't be long before drunks would forget that I was GT's brother, and stop telling me and him he was a wanker and disloyal and all that, 18-year-old Greg pops up and looks like making a nuisance of himself.

Honestly, I never thought this would happen even though it's been threatening for a while. About three years ago I went along one Saturday afternoon to watch Greg play cricket for the school eleven. He was padded up so I threw him a few while he was waiting to go in. He looked elegant all right but now and then missed a perfectly straight ball.

This puzzled me for a bit and then the penny dropped; he was more interested in playing a graceful stroke than he was in hitting the ball. Now, now, I said, just you keep the ball out of your stumps and worry about the deportment later.

A wicket fell and in he went. He played out three maiden overs, the balls he missed missing the stumps, before he fell to a feeble stroke which spooned the ball up to short cover. When he came off the field he was greeted with scorn by a couple of lads who told him he was "just like his brother".

Greg was not amused. I saw then that cricket would not become his number one game even though he became a very good player before he retired at the age of 17.

He also played hockey and was most promising. I went to see him play one day and arrived in time to witness the umpire giving him a warning for some offence of a minor nature. I overheard a spectator say that he was "just like his brother, bad-tempered". *That* brother was me.

I knew then that hockey would not become his number one game, either.

Today Greg is a committed golfer and he walks fairways on which his brothers have cast not one dubious or controversial shadow. But it's still not easy.

Glenn thinks he has the shots but still needs to tone up his mental approach. My mother feels he's a good lad and is doing well but perhaps he's not as good at match play as he is at stroke play. My grandmother thinks he's finished every time he has a bad round and my father thinks he ought to be doing better than he is.

Let me give an example. Recently I turned up to watch Greg play the last six holes of the 72-hole Otago stroke play title. Greg saw me and strolled over.

"Keep him away from me, will you," he said, pointing to my father sauntering along the other side of the fairway. "We've just had an argument in the middle of the fairway. He wanted me to take a driver and see if I could reach the green in two."

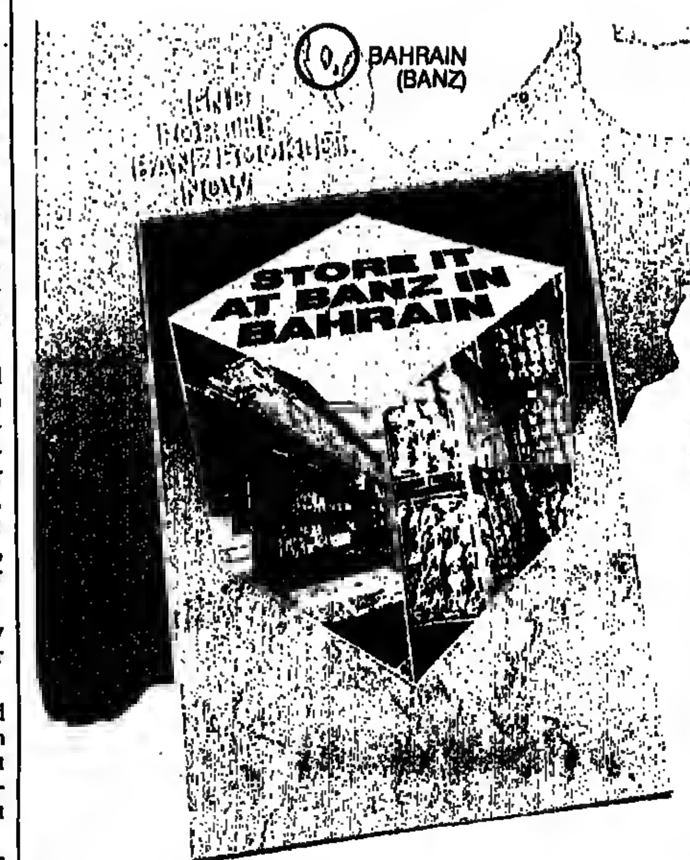
I scratched my head. "Why?"

Greg tossed his head back and said, "Because he reckons I'm so bloody far behind now I've nothing to lose."

He wasn't far behind at all. In fact he finished third, three shots behind Geoff Clarke and one away from John Finn. But as far as his father was concerned this was close to a disaster.

I went and had a chat with *our* father and kept an eye on him for the remainder of the round. We keep just as close an eye on him as he does on us. It's a delicate game that only the kindred few can play.

Glen Turner . . . not the only family hero now.

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